NORTH AYRSHIRE COUNCIL

28 May 2019

Audit and Scrutiny Committee

Title:	**Strategic Risk Register 2019/20**
Purpose:	To inform the Committee of the Council's agreed Strategic Risk Register for 2019/2020.
Recommendation:	That Committee notes the Strategic Risk Register.

1. Executive Summary

1.1 The Strategic Risk Register has been reviewed and updated for 2019/20.

1.2 Five existing risks remain on the Strategic Risk Register – Financial Environment, Inequalities, Financial Sustainability of the Health and Social Care Partnership, People and Transformation and Community Capacity Building.

1.3 The existing 'Information and Cyber Security' risk has been refocussed specifically around 'Cyber Security', a new risk has been added in relation to 'Brexit' and the existing 'Climate Change' risk has been removed from the register as additional control measures have reduced the potential impact.

1.4 The Strategic Risk Register was agreed by Cabinet on 12th March 2019.

2. Background

2.1 North Ayrshire Council is committed to ensuring that it is proactive in identifying and managing the risks impacting on the authority. The Council recognises that a certain amount of risk is inevitable if the organisation is to achieve its objectives.

2.2 The aim of risk management is to reduce the likelihood and/or impact of risk by identifying and controlling risks to the Council. If risk is to be managed appropriately, and Services are aware of these risks, risk management can contribute positively towards the organisation's decision making processes, making the Council more innovative and effective in its approach to service delivery.

2.3 The most significant risks are identified through the Council's Strategic Risk Register (SRR), recognising the challenges facing the Council and demonstrating the arrangements in place to manage these risks.

2.4 The Strategic Risk Register has been reviewed and updated for 2019/20 and is attached at Appendix 1 to this report. For each of the risks detailed within the register a number of components are identified:

- Outline of the risk to the Council;
- The risk score;
- Potential effect on the Council's priorities; and
- Internal controls currently in place.

2.5 To assist in the assessment of each risk, the Council's agreed risk matrix was used to ensure consistency. This is used to assess the likelihood of occurrence (on a scale from 1 to 5) and the significance of the impact of the risk should it occur (on a scale from 1 to 5). The risk score is the product of likelihood multiplied by impact. Only those risks rated as high or very high (10 or above) will feature on the SRR to ensure a focus on managing the most significant risks.

2.6 The existing risk relating to 'Information and Cyber Security' has been refocussed around 'Cyber Security' and an additional risk has been added to the register in relation to 'Brexit'. The existing risk relating to 'Climate Change' has been removed as it is considered that controls being implemented in relation to flooding have reduced the potential impact.

Very High Risks

- **Financial Environment** - this risk reflects the ongoing financial challenge faced by the Council (risk score 20)
- **Inequalities** - this highlights the economic and health inequalities faced in North Ayrshire (risk score 20)
- **Health and Social Care Partnership** - this risk reflects the ongoing financial challenges faced by the Partnership (risk score 20)

High Risks

- **Cyber Security** – this reflects the increasing risk from external cyber-attack which is being faced by all organisations. The Scottish Government has put in place a cyber-resilience action plan which the Council is complying with (risk score 16)
- **Brexit** – this risk reflects the uncertainty surrounding the United Kingdom's exit from the European Union, scheduled for 29th March, and the potential impact on local businesses and communities and the Council (risk score 16)
- **People and Transformation** - this reflects the wider risks associated with delivering the Transformation programme as well as any potential impact on the workforce arising from the programme (risk score 12)
- **Community Capacity Building and Empowerment** - this highlights the challenges associated with community empowerment (risk score 12)

2.7 Council Services will identify actions within their planning for 2019/20 to help the Council mitigate against its strategic risks. These actions will be linked to the strategic risks to assist with performance monitoring and reporting.

2.8 The Council's Internal Audit Plan 2019/20, which was approved by the Audit and Scrutiny Committee on 26th March, is risk-based and clear links are in place between the audit plan and the key risks the Council faces.

3. Proposals

3.1 Committee is requested to note the Strategic Risk Register for 2019/20.

4. Implications/

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality/Socio-economic Duty:	None.
Children and Young People:	None.
Environmental & Sustainability:	None.
Key Priorities:	A successful risk management framework helps to underpin the delivery of the Council's strategic priorities in the Council Plan 2015-2020.
Community Benefits:	None.

5. Consultation

5.1 The Strategic Risk Register was updated in consultation with the Executive Leadership Team and the Corporate Risk Management Group and approved by Cabinet.
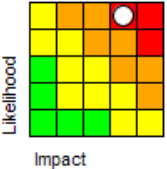
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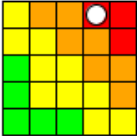Laura Friel
Executive Director (Finance & Corporate Support)

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.
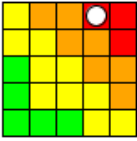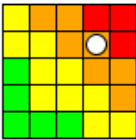
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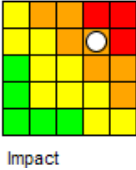None

Strategic Risk Report 2019/20

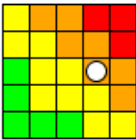| Risk Code & Title	2019/20 SRR01 Financial Environment	Current Risk Matrix
Risk	The risk is that the level of funding for local government will require the Council to take increasingly difficult and challenging decisions, potentially operating with increased levels of risk to ensure service delivery and investment in assets align with available resources. Government funding has been reducing since 2010/11. This, together with the demographic pressures, in particular an ageing population and increasing numbers of vulnerable children, and cost pressures including pay and pensions impacts on the ability of the Council to deliver current services within future anticipated resources. The 2019/20 local government settlement represents a further reduction in core grant funding of 1.4%. Planning for future years reflects further anticipated reductions in funding in 2020/21 and 2021/22. The single year settlement and publication and approval dates of the Scottish Budget makes effective short and medium term financial planning challenging. Further pressures on budgets stem from spending commitments at a national and local level at a time of reducing resources. A major external influence is the UK's progress in negotiating exit from the European Union. Uncertainty remains over future economic prospects. Given the scale of this risk, a specific strategic risk profile has been developed.	
Consequence	Funding not keeping pace with demand and cost means that there will be a reduction in some service areas potentially resulting in higher risks for service users.	**Current Risk Score**
Current Controls	The Council continues to be proactive in responding to the financial challenge and seeks to ensure that budget decisions are taken in line with key priorities. Robust monitoring of the Council's revenue and capital budgets is in place as well as regular reporting of financial performance within the HSCP to Cabinet and Audit and Scrutiny. The Council has a long-term capital investment programme to 2027/28. The Long Term Financial Outlook to 2026/27 was approved at Council on 4 October 2017 - this is the cornerstone of the Council's financial planning. The Council is currently preparing to deliver a balanced budget for 2019/20 with work underway to identify the remaining savings for 2020/21 and 2021/22. Opportunities for future savings will continue to be explored through the recently established Transformation Think Tank. A zero based approach to budget setting will be undertaken for 2020/21.	20
Linked Actions		
Linked Actions Code & Title		

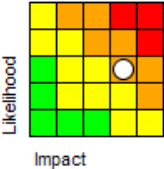| Risk Code & Title	2019/20 SRR02 Inequalities	Current Risk Matrix
Risk	The risk to the Council is that North Ayrshire residents, especially children, single parents, people with disabilities and people from ethnic minority backgrounds (groups identified in the inclusive growth diagnostic) will experience increasing levels of poverty and its effects. Inequality in the local area may continue to increase unless the Council takes action, however this must be managed effectively due to the increase in demand for Council Services which may occur. Levels of child poverty are now the second highest in Scotland. In 2016 the Child Poverty Action Group (CPAG) reported that 7,051 (30.4%) children in North Ayrshire live in poverty. The key driver of poverty and inequality is income, whether from unemployment or benefits. North Ayrshire has one job for every two people who are seeking work. The population of North Ayrshire is expected to fall over the next 10 years but there will also be a larger proportion of the population considered dependent (not economically active) compared to a shrinking working population (those who are economically active). Ongoing welfare reforms will exacerbate local needs placing greater demands upon Council Services at a time when budgets are under significant pressure. North Ayrshire residents have persistently poorer health compared to Scotland as a whole and the gap is increasing. Health inequality is closely linked to poverty, employment and people's earliest experiences as children. Drug and alcohol misuse is also a major factor. Children and young people may be excluded from a nurturing and positive early years and school experience as a result of their life circumstances and / or their additional support needs. They may be unsupported to access appropriate educational provision.	 Likelihood / Impact
Consequence	Failure to address the current challenges will result in increased levels of deprivation, reduced health and wellbeing of our communities and higher demand for Council Services. As reductions in resources increase, early intervention and prevention activities are at risk, thus increasing the potential for an increase in costly crisis interventions.	**Current Risk Score**
Current Controls	Tackling inequalities is a strategic priority of the Community Planning Partnership (CPP) and the Council. A new Fair For All strategy is in place and this will inform the work of the partners to reduce inequality. The Council launched a new Economic Strategy in April 2017 and this includes a focus on inclusive growth. The Council will lead partners in building community resilience, providing support to remove barriers to opportunity for unemployed people (e.g. childcare, transport and health), upskilling of people in disadvantaged communities including providing MA opportunities within the Council and providing employability services through our network of hubs. The Council is also part of a national inclusive growth pilot and has developed a strategy to enhance the employment of people with disabilities through its inclusive employment approach. The announcement of more than £200m of funding within the Ayrshire Growth Deal will create local employment and increase prosperity. The Better Off North Ayrshire European funded programme has now returned more that £1m to people in North Ayrshire as part of their work. Community wealth building approaches are being developed to focus and enhance spend in the local areas, maximising the Council's role as the biggest employer in the area and its spend through procurement. North Ayrshire Council is now a Child Centred Council with a focus on reducing inequalities for children and young people. The focus on reducing inequalities is enhanced by the ongoing "Challenge Poverty" approach within the Council and with partners, identifying Council and Locality options for addressing the causes and symptoms of poverty.	20

The Council and its partners have developed a food strategy, which includes addressing household food insecurity and the actions within the strategy are supporting local people to create local solutions.

North Ayrshire Council is now preparing a Child Poverty Action Plan and report as part of its statutory responsibility to Scottish Government, although the key cause of poverty (income) is largely outwith the control of the Council making it difficult to significantly change the overall trends.

The HSCP continues to deliver activity to tackle inequalities in areas of economy, health and community. Through delivery of the HSCP strategic plan, the Partnership sets out actions to tackle inequality through its Partnership Pledge and across all five of its strategic priorities.

The Money Matters service continues to provide much need welfare and money advice to individuals and families in, and at risk of, poverty. While Money Matters predominately supports local people known to the HSCP, referral pathways have been developed with Better off North Ayrshire (BONA) to ensure all people in North Ayrshire are able to access the right level of advice and support.

The HSCP's Community Link workers are now operating from all general practices in North Ayrshire, providing local people advice and guidance. Conditions that people present at GP practices are often symptomatic of wider issues.

The HSCP continues to support vulnerable young people and young carers access a range of opportunities to enhance their skills and experience.

The Council's Attainment Challenge sets out to reduce the impact of deprivation on the educational outcomes of our children and young people. A multifaceted approach has been developed to address inequality in terms of health and well-being and progress in learning.

Linked Actions	
Linked Actions Code & Title	

Risk Code & Title	2019/20 SRR03 Financial Sustainability of the Health and Social Care Partnership	Current Risk Matrix
Risk	Increased financial risk to the Council as a result of the delegation of resources and the responsibility for planning the delivery of social care services to the Integration Joint Board at a time of reducing resources and growing demand. The Integration Joint Board has the responsibility for the distribution of resources to partner bodies to deliver its strategic plan. The historic position has been that resources for social care services have not been sufficient to meet the levels of demand and therefore the partnership has overspent. There is a debt held on the Council's balance sheet to be repaid by the partnership, there is a risk that not only the partnership continue to overspend but also that the debt is not recovered. The current financial position of Ayrshire and Arran Health Board, with significant overspends over the last few years, could have a considerable impact on the funding passed to the Integration Joint Board.	
Consequence	To address increasing demands for Health and Social Care services, the Partnership needs to transform services at scale and pace to deliver services in a more sustainable way and secure a shift in the balance of care from institutional to community based services. There is a risk that if the Partnership overspends that the Council may be required to provide additional funding support which could significantly impact on other services provided by the Council.	**Current Risk Score**
Current Controls	The IJB actively monitors progress against the Strategic Plan and the Partnership financial position. Finance reports include projected outturns and are reviewed by Partnership Management Team and the IJB. These monitoring reports are also shared with the Directors of Finance of the Council and Health Board to ensure partners are aware of the financial position and any risks. Regular updates are also provided to the Council's Cabinet and Audit and Scrutiny Committee. The partnership require to implement a Financial Recovery Plan where there is a projected overspend, a plan has been implemented in the current financial year and has resulted in a demonstrable improvement to the position. A Chief Finance and Transformation Officer is now in place within the HSCP to support delivery of transformation at scale and pace and develop a financial framework to ensure service delivery within available resources. In addition the social care finance team has been transferred to the partnership to support this work. A Medium Term Financial Plan has been developed and is being refreshed. This plan outlines pressures for services linked to demographic and cost increases, assumptions about future funding and the transformation programme in place to assist with service redesign. The partnership has established a Transformation Board to oversee the programme of service re-design, this additional governance control has enabled greater control of the position and a focus on the key areas of service change with the greatest impact on the financial position. The partnership has identified resource available from 2018-19 onwards to enable the repayment of the historic debt to the Council, the current plan would result in the debt being repaid within four years. Challenge Fund resources are available to the Partnership to support its transformation journey and the HSCP have aligned these resources to support the shift in the balance of care and to mitigate demand.	20

Linked Actions

Linked Actions Code & Title	

Risk Code & Title	2019/20 SRR04 Cyber Security	Current Risk Matrix
Risk	Cyber-security risk is the potential compromise of business operations or a data breach orchestrated via either digital channels or the IT infrastructure. This can include targeting of the user base. Risk derives from both Council operations and those of its supply chain. The Council recognises the increasing importance of delivering services through digital channels and maximising efficiency through effective and secure use of technology. This includes a growing adoption of cloud-based computing resources which extend processing capabilities, and associated risks, beyond the Council's network.	
Consequence	Failure by Services to adopt and comply with strategies, policies and procedures may result in a failure to adequately ensure the desired levels of cyber-security required to maintain and protect council systems and data. There may be a significant impact on the authority through the release of personal and/or sensitive information resulting in a loss of public confidence and significant financial loss incurred through fines and service disruption. A successful cyber-attack (virus, penetration or malicious external or internal action) on the Council's IT environments could also result in significant service disruption, loss of income streams and possible data loss. Impacts of a cyber-attack could include economic (i.e. inability to collect online payments), societal disruption (i.e. loss of diaries and client appointments), and reputational damage (i.e. loss of public confidence in digital services). Such attacks could be directed at the Council or elements of its supply chain.	**Current Risk Score**
Current Controls	It is recognised that it is not possible for any organisation to expect to be completely protected against what are agile and continually evolving cyber threats. A threat actor with enough time, motivation, resource and capability will be able to compromise the most secure system. In response, the Council takes a sociotechnical approach to reducing risk by continually developing protective measures through technical, organisational and people-focused controls. IT Services continue to review the Council's protection strategy and technology in line with industry, academic, and UK and Scottish Government recommendations, including the obligation to meet the key actions and timescales defined in the Cyber Resilience Public Sector Action Plan. Technical controls are implemented across domains such as network defences, secure configuration of systems, user authentication, malware protection, and vulnerability management. The controls are independently tested on an annual basis to confirm their effectiveness in accordance with the Council's obligations to mandated compliance schemes. The Council maintains a comprehensive set of policies, standards, guidelines, metrics and reporting mechanisms as part of its information security governance structure. These provide the foundation to ensuring the importance and value of good cyber and information security standards are understood and implemented at an organisational level. The importance of a cyber-aware workforce and culture is reflected in the comprehensive training and awareness programme that is operated by the Council. Every member of staff is required to complete a classroom-based, full day training course in cyber and information security best practice. They also undertake mandatory annual e-learning training in data protection, cyber security and other relevant topics. While additional methods are used to ensure awareness information of emerging threats or best practice advice is delivered to staff in a timely manner.	16

Linked Actions

Linked Actions Code & Title	

Risk Code & Title	2019/20 SRR05 Brexit	Current Risk Matrix
Risk	The risk associated with Brexit (the United Kingdom's exit from the European Union) presents a complex series of challenges for the Council. How these crystallise is dependent on what form the exit takes. In broad terms there are two scenarios: - A deal which retains free trade between the UK and the EU. As free trade is based on principles which involve open procurement, free movement of labour etc. many existing EU rules, such as those on procurement, state aid, employment protection and data protection will continue to apply. - A 'no deal' whereby the UK would move to World Trade Organisation (WTO) rules and try to negotiate bespoke trading deals with other countries such as the United States.	
Consequence	The most serious risks are associated with a 'no deal' and include:- - Economic impact and lack of investment which results in increased demand for local authority services and increased costs. In particular there is likely to be an impact on North Ayrshire businesses which will require more business support. - Price increases and reduced economic growth will result in higher costs and reducing Government grant, as well as greater deprivation and further demand for services. - Requirement for Environmental Health to certify exports. - Ports estimated to operate at 15% capacity which will lead to delays in obtaining certain goods, including food and HGV spares. The complexity of supply chains is a concern. - Waste exported to EU for recycling may be impacted. - EU workers go back to EU, leading to labour shortages in certain areas, and in the long term, reducing Scottish population- while there are 38 Council workers from the EU, there are greater numbers in the NHS, and NHS issues may impact on HSCP. - Lack of clarity around the UK Prosperity Fund which is intended to replace European grants. - Elections or referenda.	**Current Risk Score**
Current Controls	A Brexit working group lead by the Head of Democratic Services is engaging with Services as appropriate. At a regional and national resilience planning level, advisory groups that include representatives from Police, Fire, NHS and Councils have been actively considering this issue. At a local level, the Council and its partners have a range of well-developed and regularly tested contingency plans for incidents that address the 'consequences not causes' of disruptive events. Given the uncertain nature of the arrangements, the UK Government has published a range of contingency planning advice notes. The technical notes published are intended to support businesses and organisations to prepare for the potential outcome of a "no deal" Brexit,whereby a withdrawal agreement is not reached prior to the UK leaving the EU. A full assessment of impacts on Non UK EU workforce has been undertaken. The Council continues to be involved in planning for Brexit through joint working with the Scottish Government, COSLA, and the West of Scotland Regional Resilience Partnership. Detailed risk reports via Audit and Scrutiny Committee. ELT receiving updates on an ongoing basis. This includes a cross Service risk and action log with assigned action owners.	16

Linked Actions	
Linked Actions Code & Title	

Risk Code & Title	2019/20 SRR06 People and Transformation	Current Risk Matrix
Risk	There is an overarching corporate risk that transformation and change management activities which are core to the future delivery models and long-term financial sustainability of both the Council and Health and Social Care Partnership, fail to deliver and potentially disengage employees. The workforce context of significant organisational change and budget efficiencies may impact on employee engagement and the stability of employee relations which further impacts on the Council's capacity to meet service requirements and deliver key objectives.	*(Risk matrix grid — Likelihood vs Impact, with marker plotted)*
Consequence	Any gaps in workforce planning and failure to embed cultural transformation activities may lead to difficulties in building future workforce capacity and in ensuring we have an engaged, skilled and knowledgeable workforce to meet service demand. Failure to deliver transformational change will impact on the Council's financial sustainability and its effectiveness of service delivery. Failure to deliver the HSCP Transformation programmes across the Partnership, involving North Ayrshire Council (NAC) and NHS Ayrshire & Arran (NHSAA) services may lead to the identified outcomes not being delivered; resulting in financial instability, reduced performance, deteriorating patient outcomes, and reputational damage within North Ayrshire Health and Social Care Partnership (NAHCSP).	**Current Risk Score**
Current Controls	The Transformation Think Tank has been set up to encourage cross Service collaboration and to ensure shared and joint responsibility for development and delivery of the Council's transformation programme. The Think Tank will report to the Chief Officer Leadership Team (COLT) on a regular basis. A transformation programme has been established to align with the new Council Plan. The aim of the review will be to focus resources on a smaller number of key transformational initiatives which will deliver the biggest impact. Cultural transformation activities continue to be evolved and embedded to support the Council's transformation, improve effectiveness and capability as well as develop an organisational culture which fosters involvement, engagement and high performance. Employee Engagement Surveys monitor employee engagement levels and identify any areas for improvement. Surveys are conducted every two years, with the 2017 survey results currently being analysed. This and future surveys will continue to monitor engagement levels and areas for improvement. Straw polls have been introduced to measure the impact of improvement activities arising from the 2017 survey. LiveWell, and the four themes within this – Be Well, Play Well, Eat Well and Work Well – continue to be promoted and a range of programmes, events and activities are available for all staff. Participation in wellbeing activities can have positive impacts on personal resilience, stress reduction and absenteeism. Mechanisms for consultation and engagement with Trades Unions enable open dialogue with unions and Elected Members on key strategic workforce issues. Our Workforce Planning approach provides a toolkit of interventions such as span of control, which includes career development and succession planning, vacancy management, redeployment and early release schemes, all of which support the re-shaping of our workforce for the future. NAHSCP Transformation Board reports to the NAHSCP Integration Joint Board, NHSAA Performance Governance Committee which has oversight on behalf of the NHS Board and NAC Executive Leadership Team. The Transformation board track performance, manage risk, aligns resource and puts in place mitigation responses as required to ensure progress is delivered.	12

Linked Actions

Linked Actions Code & Title	

Risk Code & Title	2019/20 SRR07 Community Capacity Building and Empowerment	Current Risk Matrix
Risk	The risk facing the authority is that community capacity and community resilience in North Ayrshire will not develop sufficiently quickly to meet the economic and social challenges which are emerging in the current economic climate. The additional demands placed on the public sector by the Community Empowerment Act (Scotland) 2015 is an emerging risk, with timescales for implementation of and reaction to certain strands of legislation, e.g. community asset transfer and participation requests, now being set by the Scottish Government. The development of community capacity and appropriate support mechanisms to allow local communities to determine their own objectives and have their voices heard in the planning and delivery of services is a key priority of North Ayrshire Council. The ability of communities and organisations to do this varies and the Council is committed to providing the appropriate support, according to local need, to ensure that communities are able to achieve their potential in this challenging economic climate. Involvement in this ranges from volunteering in local and civic events through to delivering services for communities. The HSCP also requires to deliver both community participation and engagement and Locality Planning arrangements within a clear set of national guidance. Recent further reductions in staff supporting community activity further heightens the risk attached to this issue.	
Consequence	Where the risk is not managed effectively the potential benefits of community capacity building and empowerment may be lost. There remains a potential disconnect between those communities where levels of capacity and engagement with the empowerment agenda are high and those with less social capital where interest remains low. This widens the inequality gap between communities with the ability to influence the planning and delivery of more responsive services and those communities who do not. A disconnect also exists between what the Council wishes to see in terms of communities embracing the opportunities for increasing ownership of assets and what communities themselves feel able and prepared to commit to. In terms of the asset transfer agenda the potential remains for community assets to revert back to Council ownership due to ineffective community engagement/participation and a lack of effective business planning for sustainable use of community assets. The speeding up of this approach has been caused by the increasing savings required from the Council. The likelihood is that services and facilities will be lost for good as communities fail to keep up with the speed of change. There is a risk of duplication and engagement fatigue as the HSCP is required to deliver both community participation and engagement and Locality Planning arrangements within a different set of national guidance. The HSCP Locality arrangements are coterminous with the Community Planning Partner and council arrangements.	**Current Risk Score**
Current Controls	North Ayrshire Council is making increasingly public commitments to relationships with communities and to its community capacity building and empowerment, across the Council. North Ayrshire Council has also identified that the value of continuing to support the community and voluntary sector to develop capacity is central to the well-being of the community and wishes to continue to contribute to this. A strategic corporate Community Empowerment Action Plan has been developed within the Council and with all CPP partners, to identify how the Council can shift from delivery to enabling mode with many of our community partners to build their capacity and identify opportunities for growth and sustainability. The introduction of Locality Planning is enhancing local resilience and place-making initiatives to strengthen how communities work together to lessen the impact of external changes. Six locality partnerships have now been established to ensure the involvement	12

	of the community in local decision making and to monitor the support we are providing to communities.	
	The Council has refined and enhanced its asset transfer, allotment and Community Council guidance and support, and in addition, the Council has also introduced support for individuals and communities in relation to developing excellence in arts and culture and sports, and has reviewed the way in which it awards Community Development Grants to ensure that capacity building is a central feature of support to communities and voluntary organisations. Groups are also supported to make a greater number of successful funding bids to external bodies. Additional resources will be available through ongoing projects with Creative Scotland and Sport Scotland with good practice being shared and promoted. The Community Development Fund is underpinning the ability of community organisations to undertake sustainable projects.	
	The Council and its partners have held a number of participatory budgeting events, which allow local people to have a say on how small amounts of Council money are spent in their localities.	
	The Council is also committed to mainstreaming participatory approaches within its services and to date Streetscene, Youth Services and Libraries have allocated substantial proportions of their resources in this way.	

Linked Actions

Linked Actions Code & Title	