

# Report

## Audit Committee

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### Part 1

Date: March 2019

Item No: 5

**Subject** Quarter 3 Corporate Risk Register Update

**Purpose** To present an update of the Corporate Risk Register for the end of quarter 3 (31<sup>st</sup> December 2018).

**Author** Head of People and Business Change

**Ward** All

**Summary** The Council's Risk Management Strategy and Risk Register enables the Council to effectively identify, manage and monitor those risks to ensure that the Council realises its Corporate Plan and ensure service delivery is provided to its communities and citizens.

At the end of quarter 3 there were 14 risks recorded in the Council's Corporate Risk Register made up of 6 high risks and 8 medium risks. In quarter 3, two new risks (City Centre Security and Safety / Council buildings and assets) were added to the register and one risk (Pressure on Infrastructure) was closed. The risk rating for the Council's Brexit risk increased from 9 to 16 and the Stability of External Suppliers increased from 16 to 20. Both of these risks were a reflection on the uncertainty with the UK Government's Brexit negotiations and an increase probability of a 'No Deal' scenario taking place in March 2019. The Council's Highway Network risk score had decreased from a score of 25 to 20 reflecting the separation of the building assets from the risk score but also the ongoing backlog of maintenance work required to the highways infrastructure. All remaining risk scores remained the same in the last quarter.

**Proposal** The Audit Committee is asked to consider the contents of this report and assess risk management processes in place for the Authority.

**Action by** Senior Leadership Team and Heads of Service

**Timetable** Immediate

This report was prepared after consultation with:

- Corporate Management Team

**Signed**

## Background

As part of the Wellbeing for Future Generations (Wales) Act 2015, it is a requirement for all public sector bodies to set Wellbeing objectives in their Corporate Plans. This enables the Council to set its future vision and how it will improve lives of the current and future generations. With any Corporate Plan there will be risks that may prevent the Council from achieving its objectives. The Council's Risk Management Strategy and Risk Register enables the Council to effectively identify, manage and monitor those risks to ensure that the Council realises its Plan and ensure service delivery is provided to its communities and citizens.

As outlined by the Council's Constitution, the Audit Committee is required to examine and assess the risk management processes in place with comments and recommendations of the Committee considered by Cabinet.

### 1. Risk Management Strategy

The Risk Management Strategy outlines how the Council manages its risk management process in identifying, managing and monitoring corporate risks in the Council's risk register using the Management Information Hub system. All risks identified in the risk register are owned by a member(s) of the Senior Leadership Team and a Cabinet Member. Mitigating actions to minimise the risk from occurring are managed by members of the Corporate Management Team with updates on progress of delivery provided every quarter.

Below the Council's Corporate Risk Register sits other risk management activities, which are managed through their own governance processes and control frameworks. Escalation processes are in place to for potential corporate wide risks to be escalated into the Corporate Risk Register. These activities include:

- **Programme / Project Risk Management** – managed through the programme / project boards;
- **Civil Contingencies (emergency planning and business continuity)** – Managed through People & Business Change service area and the Gwent Local Resilience Forum;
- **Newport Well-being Plan / Partnership risks** – managed through the One Newport Public Services Board and supporting delivery boards;
- **Newport Council Service Area risks** – Managed through their Senior Management Boards;
- **Information Governance Risk** – managed through the Council's Information Governance Board;
- **Health & Safety** – managed by the Council's Health & Safety team and service areas.

### 2. Summary of risks in this report

At the end of quarter three (31<sup>st</sup> December 2018) there were 14 corporate risks consisting of 6 high risks and 8 medium risks. The risk mitigation actions identified for each risk is imperative for outlining how these risks are managed and enable the Council achieve its objectives. Appendix 1 of this report provides a summary of the risk register and movement of risks in the last 4 quarters. In the quarter two update presented to the Council's Audit Committee in November 2018 recommendations were raised in relation to Council's Brexit risk, asset management risk and partnership work. Further to these recommendations in quarter three the following changes to the Corporate Risk Register were made:

- **Risk 4 (Brexit)** – Following guidance received from the Welsh Local Government Association (WLGA), the Council established a Brexit Task & Finish Group led by the Strategic Director for Place and consisting of senior managers from across all of the Council's service areas. Using the WLGA toolkit the Council has been able to assess the impact of Brexit on key Council services and an action plan has been developed. However, over the last period the uncertainty over the Brexit arrangements and an increased probability of a 'No Deal' scenario from 29<sup>th</sup> March 2019 has led to the risk score increasing from 9 to 16.
- **Risk 8 (Stability of External Suppliers)** – the risk score has increased from 16 to 20 in quarter three due to the ongoing uncertainty which a 'No deal' Brexit could have on the health and social care service. Many residential and domiciliary providers that provide care and support to adult and children

services could be impacted as a result of supply disruptions, staffing shortages and increase in costs which could be passed back onto the Council.

- **Risk 9 (Pressure on Infrastructure)** – This risk was focused on the impact which the removal of the Prince of Wales Bridge Tolls on the M4 would have on the Council’s highway infrastructure. A review was also completed on risk 13 (Asset Management) and it was agreed by the Senior Leadership Team to close this risk and incorporate this into *risk 13 – Maintenance of the Highways Network*.
- **Risk 11 (IT Modernisation) and Risk 12 (Cyber Attack)** – Both of these risks were subject to a review in quarter three and mitigating actions were updated to reflect the changes that have occurred in the Council following the transfer of services to the Shared Resource Service and the broader cyber risks to the Council’s IT infrastructure. Both the risk scores remain the same for quarter 3 and reflects the governance and security controls in place to manage these areas.
- **Risk 13 (Maintaining the Highways Network) and Risk 16 (Council Buildings and Assets)** – Further to the recommendations raised by the Council’s Audit Committee in quarter two, a review was undertaken of the Asset Management risk relating to the Highways Network and Council buildings / assets. As a result of this review it was agreed by the Senior Leadership Team to separate the Highways and Council buildings into two risks. The risk score for maintaining the highways network has reduced to 20 which reflects the long term level of funding required to maintain and replace the existing infrastructure and the impact of the removal of the M4 tolls on the Highways infrastructure. The Council’s building and assets risk has been scored 12 which acknowledges the existing controls in place to risk assess the Council’s building assets but also reflects the funding required to maintain and improve the Council’s assets.
- **Risk 15 (Newport City Centre Security and Safety)** – The regeneration of the Newport City Centre and attraction of major events to Newport are key objectives in the Council’s Corporate Plan 2017-22. However, with the increased profile and coverage of Newport it is recognised that this poses additional risks to the security and safety of buildings, citizens and businesses. This risk has been added to the risk register to reflect these impacts and has been scored at 15 with mitigation actions added to demonstrate the ongoing work required by the Council and its partners.

Appendix 2 of this report is the Council’s Corporate Risk Register which contains the detailed and planned mitigating actions for each risk taken from the Council’s Management information Hub.

## Financial Summary

There are no direct costs associated with this report.

## Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
The Council does not achieve its objectives as corporate level risks are not adequately managed and monitored.	M	L	Risk Management Strategy has been adopted and mechanisms are in place to identify, manage and escalate emerging and new risks / mitigation strategies.	Directors, Heads of Service and Performance Team

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

Robust risk management practices increase the chances that all of the council's priorities and plans will be implemented successfully

### **Options Available and considered**

1. To consider the contents of the quarter 3 update of the Corporate Risk Register and make recommendations for Cabinet and Officers on the Council's risk management arrangements.
2. To request further information or reject the contents of the risk register

### **Preferred Option and Why**

Option 1 is the preferred option with recommendations raised by the Audit Committee to be considered and reported to Cabinet and Officers in accordance with the Council's Constitution.

### **Comments of Chief Financial Officer**

There are no direct financial implications arising from this report. The corporate risk register forms an important part of the governance and budget setting arrangements for the council and the risk register is used to guide the internal audit plan.

### **Comments of Monitoring Officer**

There are no specific legal issues arising from the report. As part of the Council's risk management strategy, the corporate risk register identifies those high-level risks that could impact upon the Council's ability to deliver its corporate plan objectives and essential public services. Although Audit Committee are responsible for reviewing and assessing the Council's risk management, internal control and corporate governance arrangements, the identification of corporate risks within the risk register and monitoring the effectiveness of the mitigation measures are matters for Cabinet.

### **Comments of Head of People and Business Change**

Risk Management in the Council is a key area to implementing Wellbeing of Future Generations Act (Wales) 2015. The Corporate Risk Register enables the Council to capture, manage and monitor those risks, which could prevent the achievement of the objectives in the Corporate Plan and the Wellbeing plan. The risks and the mitigating actions identified in the Corporate Risk Register are subject to ongoing assessment, which also enables the Council to identify any new and emerging risks.

### **Comments of Cabinet Member**

The Chair of Cabinet has been consulted and has agreed that the contents of this report goes forward to Audit Committee for consideration.

### **Local issues**

None

### **Scrutiny Committees**

Audit Committee have a role in reviewing and assessing the risk management arrangements of the authority. Meetings with the committee have resulted in some changes to the processes used to compile and update the risk register, leading to clarity of detail within the report. The views of the Committee are considered in this report.

### **Equalities Impact Assessment**

Not applicable.

## **Children and Families (Wales) Measure**

Not applicable.

## **Wellbeing of Future Generations (Wales) Act 2015**

Risk management is a key area to implementing the Wellbeing of Future Generations Act (Wales) 2015. The council must ensure that it considers risks in the short, medium and longer term and that it manages risks in a manner that protects current service delivery and communities as well as considering the longer term impact. It supports the delivery of the wellbeing objectives that are identified in the council's Corporate Plan by considering the risks to delivering these objectives and by defining and monitoring actions to mitigate those risks.

The Corporate Risk Register helps the council to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs by considering the sustainable development principle set out in the Wellbeing of Future Generations (Wales) Act 2015.

## **Crime and Disorder Act 1998**

Not applicable.

## **Consultation**

As above, the Risk Register is also considered by Cabinet

## **Background Papers**

Corporate Risk Register, Cabinet 12th December 2018

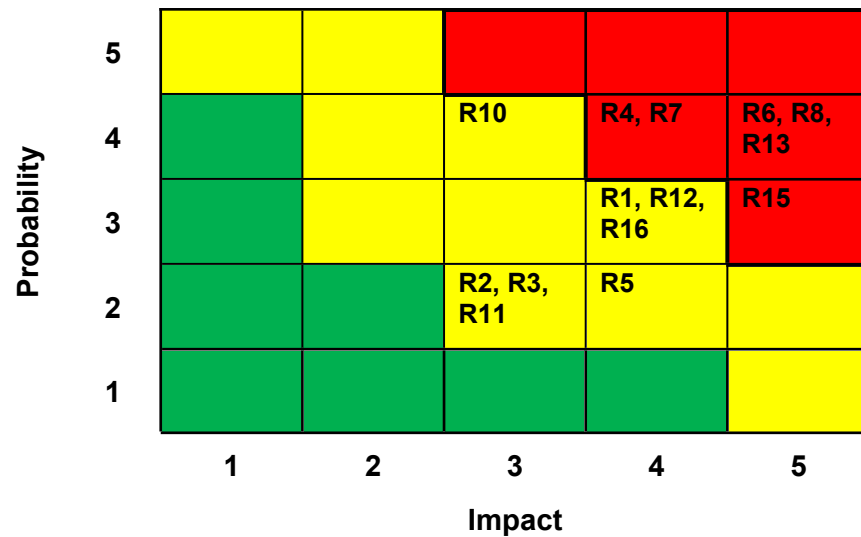
Corporate Risk Register, Audit Committee 22nd November 2018

Corporate Risk Register, Cabinet 19th September 2018

Corporate Risk Register, Audit Committee, 20th September 2018

Dated: March 2019

## Appendix 1 - Quarter 3 Corporate Risk Heat Map



Corporate Risk Heat Map Key	
R1 – Legislative Requirements	R8 – Risk of Stability of External Suppliers
R2 – Capacity and Capability to meet the Council's Objectives	R10 – Climate Change
R3 – Safeguarding	R11 – IT Services & Modernisation Agenda
R4 – Decision to leave the European Union (Brexit)	R12 – Cyber Attack
R5 – In Year Financial Management	R13 – Maintaining the Highways Network
R6 – Balancing the Council's Medium Term Budget	R15 – City Centre Security & Safety
R7 – Increased Pressure on Demand Led Services	R16 – Council Buildings and Assets

*\*Note: Risk 9 'Increasing Pressure on Existing Infrastructure' was closed in Quarter 3 of 2018/19  
Risk 14 'Recruitment and retention of specialist staff was closed in Quarter 2 of 2018/19*

# Risk Score Profile between Quarter 3 2017/18 and Quarter 2 2018/19

<b>Risk Position</b>	<b>Risk No. - Description</b>	<b>Risk Score Quarter 4 2017/18</b>	<b>Risk Score Quarter 1 2018/19</b>	<b>Risk Score Quarter 2 2018/19</b>	<b>(Current) Risk Score Quarter 3 2018/19</b>
1	<b>R06 – Balancing the Council's Medium Term budget.</b>	16	16	20	20
2	<b>R08 – Risk of Stability of External Suppliers</b>	20	16	16	20
3	<b>R13 – Maintaining the Highways Network</b>	25	25	25	20
4	<b>R4 – Decision to leave the European Union (Brexit)</b>	9	9	9	16
5	<b>R7 – Increased pressure on demand led services</b>	16	16	16	16
6	<b>R15 – City Centre Security and Safety</b>	-	-	-	15
7	<b>R1 – Legislative Requirements</b>	12	12	12	12
8	<b>R10 – Climate Change</b>	12	12	12	12
9	<b>R12 – Increasing Risk of Cyber Attack</b>	12	12	12	12
10	<b>R16 – Maintenance and improvement of council buildings and assets</b>	-	-	-	12
11	<b>R5 – In year finance management</b>	9	8	8	8
12	<b>R2 – Capacity and capability to meet the Council's objectives</b>	12	9	9	6
13	<b>R3 – Safeguarding</b>	8	8	8	6
14	<b>R11 – Increasing demands on IT Services and the Modernised agenda</b>	6	6	6	6

## How the Council Assesses Risk

An assessment of the likelihood and impact of risk is important to measure, compare and monitor risks to ensure efficient use of resources and effective decision making. This assessment is carried out using the risk matrix as described below.

## Risk Assessment Matrix

A Corporate Risk Register will contain the high level risks for the whole authority. In order to differentiate between these high level risks a 5x5 risk assessment matrix will be applied. The matrix is shown below and further detail is included in appendix 3.

Risks are scored using the scoring system for probability and impact and assigned a rating based on the tolerances set out in the matrix below

## Risk Scoring

Probability description	Score
Very Low probability	1
Low probability	2
Medium probability	3
High probability	4
Very high probability	5
Impact description	Score
Negligible	1
Low	2
Medium	3
High	4
Very High	5

## Risk Matrix

Probability	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Impact				



## Impact Matrix

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)						
			Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational
1	Negligible	Low impact. Localised effect		Minor disturbance of non-key area of operations	Unplanned budgetary disturbance <£100k	Loss of asset/money with value >£2k		Reportable (non-serious) accident affecting one employee/member of public/service user	Isolated complaint(s)
2	Low	Low impact for organisation as a whole. Medium localised impact		Minor disruption of a key area of operations or more significant disruption to a non-key area of operations	Unplanned budgetary disturbance £100-£500k	Loss of asset/money with value £2-10k	Mild WAO criticism in report. Mild criticism from a legal/regulatory authority. Isolated fraud	Reportable (non-serious) accident affecting small number of employees/members of public/service users	Formal complaints from a section of stakeholders or an institution
3	Medium	Medium impact for organisation as a whole	Noticeable constraint on achievement of a key strategic objective	Major disruption of a service area for a short period or more minor disruption of a service area for a prolonged period	Unplanned budgetary disturbance £500k-£2M	Loss of asset/money with value £10-50k	Adverse WAO report. Significant criticism from a legal/regulatory authority requiring a change of policy/procedures. Small-scale fraud relating to a number of people or more significant fraud relating to one person	Reportable (non-serious) accident(s) affecting a significant number of employees/members of public/service users or a serious injury to a single employee/member of public/service user	Formal complaints from a wide range of stakeholders (e.g. several institutions), adverse local press, complaint/s upheld by Ombudsman

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)						
			Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational
4	High	High impact for organisation as a whole	Severe constraint on achievement of a key strategic objective	Major disruption of a service area for a prolonged period or major disruption of several service areas for a shorter period	Unplanned budgetary disturbance £2-5M	Loss of asset/money with value £50-100k	Qualified account. Severe criticism from WAO/legal/regulatory authority requiring major overhaul of policy/procedures, Significant fraud relating to several employees	Serious injury of several employees/members of public/service users	Significant loss of confidence amongst a key stakeholder group. Adverse national press
5	Very High	Catastrophic	Failure of a key strategic objective	Major disruption of several key areas of operations for a prolonged period	Unplanned budgetary disturbance >£5M	Loss of asset/money with value >£100k	Severe service failure resulting in WAG intervention/special measures Widespread significant fraud	Death of employee(s)	Severe loss of confidence amongst several key stakeholder groups. Damning national press

## Probability

Score	General Description	Definition
1	Very Low probability	2% chance of occurrence
2	Low probability	5% chance of occurrence
3	Medium probability	10% chance of occurrence
4	High probability	20% chance of occurrence
5	Very high probability	50% chance of occurrence