

# Report

## Audit Committee

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### Part 1

Date: 29 January 2020

Item No: 6a

### Subject **Quarter 2 Corporate Risk Register Update**

**Purpose** To present an update of the Corporate Risk Register for the end of quarter 2 (30<sup>th</sup> September 2019).

**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 2, the Corporate Risk Register has 12 risks, which are considered to have a significant impact on the achievement of the Council's objectives and warrant monitoring by the Council's senior management. The corporate risk register contained 9 high level risks (risk scores 15 to 25) and 3 medium risks (risk scores 5 to 14). There were no new risks identified, escalated from service areas or closed at the end of the quarter. The role of Audit Committee is to review and monitor the corporate governance and risk management arrangements in place, with comments and recommendations of the Committee on risk process considered by Cabinet.

**Proposal** Audit Committee is asked to consider the contents of this report and assess the risk management arrangements for the Authority, providing any additional commentary and/or recommendations to Cabinet.

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

**Timetable** Immediate

This report was prepared after consultation with:

- Senior Leadership Team (SLT)
- Corporate Management Team

**Signed**

## Background and Risk Process

The Wellbeing of Future Generations (Wales) Act 2015, requires Newport City Council to set Wellbeing Objectives in its Corporate Plan 2017-22. With any Corporate Plan there will be risks that may prevent the Council from achieving its objectives. The Council's Risk Management Strategy and Corporate 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 terms of reference in the Council's Constitution, the Audit Committee is required to review and monitor the corporate governance and risk management arrangements in place, with comments and recommendations of the Committee on risk process considered by Cabinet.

In Newport City Council risks that may prevent or impact on the delivery of our services is continuously monitored and managed at all levels of the organisation. The following diagram below summarises how risks are continuously managed in Newport City Council.



There are many different sources of risks, such as civil contingencies, health & safety, service delivery and projects throughout the organisation where risks to the delivery of the Corporate Plan, or services might be identified and included on the Council's risk register. New risks identified to be included on the register have to be assessed and evaluated to determine their risk scores (Inherent / Residual / Target), existing controls that are in place and where further mitigating controls are required to respond and reduce the overall impact of the risk to the Council.

All Risks identified have to be initially agreed by the Head of Service. If the residual risk score is 15 or above or if the Head of Service considers the risk to have an impact on the delivery of services / achievement of objectives in Council it is escalated to the Council's Senior Leadership Team (SLT) to determine whether it is included on the Council's Corporate Risk Register or if the risk should be managed by the relevant service area(s).

All risks are recorded in the Council's 'Management Information Hub'. Every quarter, risk owners, and risk action owners are required to assess and provide an update on the risk score and mitigating actions in place. Any risk that has escalated to 15 or above is automatically escalated and requires SLT to consider whether it should be included on the Corporate risk register or if they are satisfied that the responsible owner and mitigating actions are effective to be managed within the service area / team.

As risk mitigating actions are completed and the risk is reduced to meet the target risk score, an assessment will be undertaken by the risk owner to determine whether the risk is closed and if the risk

mitigation actions have been sufficient to mitigate the overall risk. For risks on the Corporate Risk Register this responsibility would fall onto the Risk Owner and SLT to determine if the risk can be closed.

## Q2 risk update

At the end of Quarter 2 (30<sup>th</sup> September 2019), service areas had recorded 51 risks (see table below). All service areas are required to provide an update on the risk score and progress against the risk mitigation actions in place. No new risks were identified, no existing risks were escalated for consideration by SLT or closed at the end of Quarter 2. The risk report was considered by senior management and Cabinet in December 2019.

Service Area	Number of Risks
Adult & Community Services	4
Children & Young People Services	3
City Services	8
Education Services	11
Finance	7
Law and Regulation	4
People & Business Change	10
Regeneration, Investment & Housing	12
<b>Total Unique Risks*</b>	<b>51</b>

\*Note: Some risks are crosscutting and therefore impact on more than one service area.

Of the 51 risks, there are 12 risks that are recorded and monitored in the corporate risk register. These risks are:

- Balancing the Council's Medium Term Budget
- Brexit
- City Centre Security & Safety
- Climate Change
- Demand for ALN and SEN support
- Educational Out of County Placements
- Highways Networks
- In Year Financial Management
- Newport Council's Property Estate
- Safeguarding Risk
- Schools Finance / Cost Pressures
- Stability of Social Services Providers

## Summary of risks in this report

- **Demand for Additional Learning Needs (ALN) and Special Education Needs (SEN) support** – This risk relates to new legislation being introduced and unknowns in relation to its potential impact on Education services and school support in the city. The risk score has increased from 12 to 20. Two ALN Implementation meetings were held in September 2019, a number of ALN funding models were shared with school representatives. It was highlighted that due to a rise in population there is an increase of ALN pupils which has caused an ALN funding pressure. A one year funding model was agreed with further meetings to take place during summer 2020 to develop a long term funding model.
- **In year financial management** – This risk's score has increased from 8 to 12. The September monitor shows an on-going worsening position and a forecast overspend of c£700k. While the impact of an in-year overspend will have a detrimental effect on the level of reserves, it is not something the Council could not cover in the short-term. The impact however of these overspends continuing in the medium term would be a lot larger on the financial resilience of the organisation and need to be brought under

control. The position is recoverable with appropriate action though the downside risks are just as great with continuing increasing demand for services.

Appendix 2 of this report is the Council's Corporate Risk Register.

### 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.  Audit Committee oversight of risk management process.	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 this report and assessment of the risk management arrangements for the Authority, providing any additional commentary and/or recommendations to Cabinet.
2. To request further information or reject the contents of the risk register

### Preferred Option and Why

1. 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 and also provides assurance over our governance processes in the Council. As this report highlights, the Council has taken significant steps to improving the risk management processes to ensure we are able to deliver the Corporate Plan and our services. This is necessary to ensure that the Council has sufficient control and oversight of these risks that could prevent the successful delivery of services.

### **Comments of Cabinet Member**

The Chair of Cabinet has been consulted and has agreed that this report goes forward to Audit Committee for consideration with Audit Committee comments and recommendations reported back to Cabinet in the next quarters update.

### **Local issues**

None.

### **Scrutiny Committees**

Not Applicable. Audit Committee have a role in reviewing and assessing the risk management arrangements of the Authority.

### **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 considered by Audit Committee and Cabinet.

## **Background Papers**

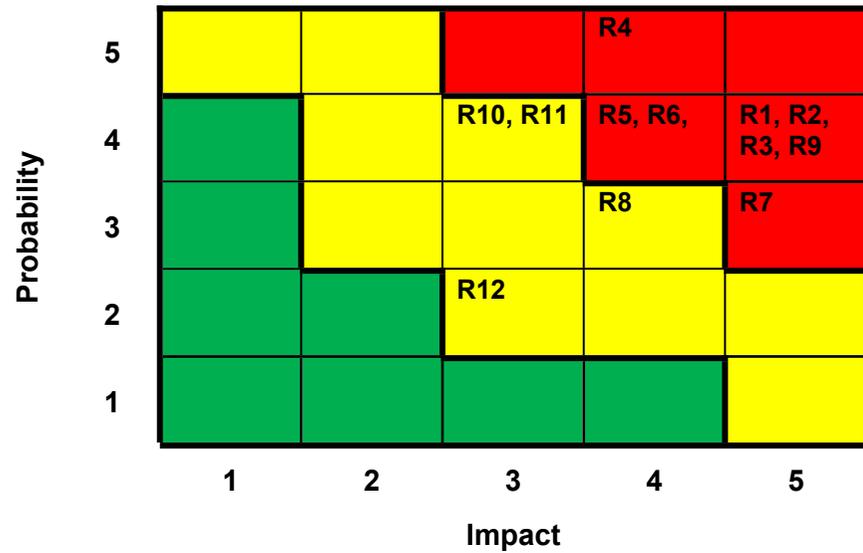
Q2 Risk Cabinet Report, December 2019

Corporate Risk Strategy, June 2018

Q1 Risk Report Audit Committee October 2019

Dated: December 2019

**Appendix 1 - Quarter 2 Corporate Risk Heat Map**



<b>Corporate Risk Heat Map Key</b>	
R1 – Balancing the Council’s Medium Term budget	R7 – City centre security and safety
R2 – Stability of social services providers	R8 – Climate change
R3 – Highways network	R9 – (NEW) Demand for ALN and SEN support
R4 – (NEW) Schools finance and cost pressures	R10 – Newport Council’s property estate
R5 – Decision to leave the European Union (Brexit)	R11 – In year financial management
R6 – (NEW) Educational out of county placements	R12 - Safeguarding

**Risk Score Profile between Quarter 3 2018/19 and Quarter 2 2019/20**

Risk Position	Risk No. - Description	Risk Score Quarter 3 2018/19	Risk Score Quarter 4 2018/19	Risk Score Quarter 1 2019/20	(Current) Risk Score Quarter 2 2019/20	Target Risk Score
R1	Balancing the Council's Medium Term budget.	20	20	20	20	10
R2	Stability of Social Services Providers	20	20	20	20	6
R3	Highways Network	20	20	20	20	9
R4	Schools Finance / Cost Pressures	-	-	20	20	20
R5	Brexit - Decision to leave the European Union	16	12	16	16	10
R6	Educational Out of County Placements	-	-	16	16	8
R7	City Centre Security and Safety	15	15	15	15	8
R8	Climate Change	12	12	12	12	10
R9	Demand for ALN and SEN support	-	-	12	20	12
R10	Newport Council's Property Estate	12	12	12	12	9
R11	In year financial management	8	4	8	12	6
R12	Safeguarding	6	6	6	6	4

## Glossary

This document provides an explanation of terminology used in this report and supporting documents.

**Risk Appetite** – the amount of risk that Newport City Council is willing to seek or accept in the pursuit of the Council's long term objectives.

**Inherent Risk Score** – The level of risk in the absence of any existing controls and management action taken to alter the risk's impact or probability of occurring.

**Residual Risk Score** – The level of risk where risk responses i.e. existing controls or risk mitigation actions have been taken to manage the risk's impact and probability.

**Target Risk Score** – The level of risk (risk score) that Newport City Council is willing to accept / tolerate in managing the risk. This is set in line with the Council's overall risk appetite.

**Risk Mitigation Action** – Actions identified by the Risk Owner to respond to the risk and reduce the impact and probability of the risk of occurring.

**Risk Mitigation Action (Red Progress Score)** – Significant issue(s) have been identified with the action which could impact on the ability of the action meeting its completion date. Immediate action / response is required resolve its status.

**Risk Mitigation Action (Amber Progress Score)** – issue(s) have been identified that could have a negative impact on the action achieving its completion date. Appropriate line manager(s) should be informed and where necessary action taken.

**Risk Mitigation Action (Green Progress Score)** – The action is on course for delivering to the agreed completion date and within the agreed tolerances.

### **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

## Impact Matrix

Rating	Severity of impact	Impact factors (and examples of what they might look like)						
		Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational
1	Negligible		Brief disruption that has a minor impact on the delivery of a service. Service disruption less than a 1 day	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		Brief disruption of a non-critical service(s)  Service disruption 0-2 days	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	Noticeable constraint on achievement of a key strategic objective	Loss and/or intermittent disruption of a service between 2-3 days	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
4	High	Severe constraint on achievement of a key	Loss of an important service(s) for a short period that could impact on stakeholders.	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	Serious injury of several employees/members of public/service users	Significant loss of confidence amongst a key stakeholder group.

Rating	Severity of impact	Impact factors (and examples of what they might look like)						
		Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational
		strategic objective	Service disruption 3-5 days			policy/procedures, Significant fraud relating to several employees		Adverse national press
<b>5</b>	<b>Very High</b>	Failure of a key strategic objective	Serious organisational / service failure that has a direct impact on stakeholder's Inc. vulnerable groups. Service disruption 5+ days	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