

# Report

## Audit Committee

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### Part 1

Date: 24 March 2016

**Subject** Corporate Risk Register Update

**Purpose** To present an updated Corporate Risk Register.

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**Ward** All

**Summary** This report contains the latest update of the Corporate Risk Register. There are seven risks identified in the register, 1 high risk and 5 medium risks and 1 low risk. Since the last update all risk ratings remain unchanged.

**Proposal** Note the changes to the risk tolerance levels  
Note the contents of the Corporate Risk Register

**Action by** Chief Executive, Strategic Directors and Heads of Service

**Timetable** Immediate

This report was prepared after consultation with:

- Cabinet
- Deputy Leader
- Audit Committee
- Corporate Management Team
- Head of Law and Standards
- Head of People and Transformation
- Head of Finance

# Background

## 1. Corporate Assessment

As part of its governance arrangements the Council has a risk management strategy and a corporate risk register is monitored twice a year. Through the Corporate Assessment these documents were recognised by the Wales Audit Office although the conclusions of the Corporate Assessment were that risk management arrangements within the organisation are in need of improvement.

## 2. Risk Management Strategy

The Risk Management Strategy was agreed by Cabinet in September 2014. It was updated to reflect a revised approach to risk management and improved processes for identifying and escalating risk. Potential benefits of an improved risk management approach are improved decision making, avoidance of shocks and the ability to mitigate threats and take advantage of opportunities.

The strategy includes six key areas where risks are identified and managed:

- Decision Making Process
- Revenue and Capital Monitoring
- Change and Efficiency Programme
- Service and Improvement Planning
- Horizon Scanning Activities
- Information Risk Management

## 3. Role of Audit Committee

Since the introduction of the Local Government Measure 2011 the local authority’s Audit Committee have a role in reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority. Processes and Strategies about risk management should be reviewed by the Committee however the content of the risk register including setting and changing risks included in the register is *not* the role of the Audit Committee.

## 4. Risks updated in this report

All risks included in the Corporate Risk Register have been updated for this report.

## 5. Changes to risk tolerance matrix

It is proposed that the following changes to the risk tolerance matrix are made to ensure that any risks with a score of 4 are assessed as low. Risks included within this report use the current matrix, and if agreed will use the proposed new matrix for the next update report. None of the 7 risks in this report are scored as 4x1 or 1x4 so there is no effect of this change on the current risks included in the register.

**Current Matrix**

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

**Proposed new Matrix**

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

## 6. Closed Risks

The table below details the following closed risks from the Corporate Risk Register

Date	Risk	Closure Details
September 2014 - April 2015	<i>Risk Title: Delivering a Balanced Budget Risk Description: That the savings required to deliver a balanced budget in the following year cannot be achieved</i>	In November 2014 this risk was scored as probability 1 and impact 1. This was because a balanced budget was drafted and being progressed through the council's decision making hierarchy. A balanced budget was approved by Cabinet and Council in February 2015 and this risk is now considered to be closed.
September 2014 - June 2015	<i>Risk Title: Total Reward Risk Description: That the complex and contentious tensions inherent to the Single Status pay and grading review delay the project implementation.</i>	The Total Reward project has now been implemented and any remaining issues and risks can now be managed at a service area level
September 2014 - June 2015	<i>Risk Title: Information Governance Risk Description: That the council does not have adequate arrangements in place to protect the data in holds and that this results in significant fines and reputational damage</i>	This risk can now be managed at a service area level.

## 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?
That the strategy and process are not robust enough to capture all high risks	M	L	Reviewing, testing and embedding processes to ensure that they are fit for purpose	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

## 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**

The Council's corporate governance arrangements are an integral part of the risk management strategy, in ensuring that all decisions are made lawfully and constitutionally and that all risks are identified, assessed and mitigated. The absence of successful call-in and legal challenges demonstrates that these arrangements are robust. However, as part of the review of the Constitution, improvements in the Report templates will be considered to further embed risk management principles within the decision-making processes. The Local Government (Wales) Measure 2011 required the Council to establish a stand-alone Audit Committee with statutory responsibility for reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority. However, the identification of corporate risks, for inclusion within the risk register, is an executive decision for Cabinet.

## **Staffing Implications: Comments of Head of People and Business Change**

There are no direct staffing implications arising from this report.

Risk management is a key element of the Council's improvement programme and the Administration's commitment to ensuring strong corporate governance and robust performance management.

## **Comments of Cabinet Member**

Report author to confirm that the Cabinet Member has approved the report for consideration by cabinet.

## **Scrutiny Committees**

The Risk register is also considered by Audit Committee. Meetings with the committee have resulted in some changes in format and layout of the register.

## **Consultation**

As above, the Risk Register is also considered by Audit Committee

## **Background Papers**

Corporate Assessment, Cabinet 21<sup>st</sup> October 2013

Corporate Risk Register, Cabinet 13<sup>th</sup> January 2014, Audit Committee 30<sup>th</sup> January 2014.

Draft Corporate Risk Management Strategy, Cabinet, 12<sup>th</sup> May 2014

Draft Corporate Risk Management Strategy Audit Committee 29<sup>th</sup> May 2014

Corporate Risk Management Strategy and Register, Cabinet, 8<sup>th</sup> September 2014

Corporate Risk Management Strategy and Register, Audit Committee, 18<sup>th</sup> September 2014

Corporate Risk Register, Cabinet, 8<sup>th</sup> December 2014

Corporate Risk Register, Audit Committee, 22<sup>nd</sup> January 2015

Corporate Risk Register, Cabinet, 13<sup>th</sup> April 2015

Corporate Risk Register, Audit Committee, 28<sup>th</sup> May 2015

Corporate Risk Register, Cabinet 8<sup>th</sup> June 2015

Corporate Risk Register, Audit Committee, 16<sup>th</sup> July 2015

Corporate Risk Register, Cabinet, 8<sup>th</sup> September 2015

Corporate Risk Register, Audit Committee, 24<sup>th</sup> September 2015

Corporate Risk Register, Cabinet, 18<sup>th</sup> December 2015

Corporate Risk Register, Audit Committee, 28<sup>th</sup> January 2016

Corporate Risk Register, Cabinet 14<sup>th</sup> March 2016

Dated: 10<sup>th</sup> March 2016

## Risk Management Roles and Responsibilities

The roles and responsibilities of individuals and groups are set out below:

<b>Role</b>	<b>Responsibility</b>
Cabinet and Cabinet Members	To work with Strategic Directors and Heads of Service to define, assess and manage corporate risks. To work with Heads of Service to manage risks within their service delivery portfolios To consider corporate risks as part of the decision making process
Members	To be aware of the corporate risks and to consider risk management in scrutiny meetings and regulatory committees
Audit Committee	To take an overview of the processes involved in managing risk in the council To receive regular reports on the corporate risk register and risk management processes
Strategic Leadership Team	To work with Cabinet Members and Heads of Service to define, assess and manage corporate risks To monitor risks in the risk register To recommend additions and revisions to the risk register To initiate mitigating action for escalating risks To ensure risks are assessed accurately
Heads of Service	To work with Cabinet Members and Strategic Directors to define, assess and manage corporate risks To work with the Cabinet Member to manage risks To implement mitigating action for escalating risks To recommend mitigating action for corporate risks to the appropriate decision making body To ensure risks are assessed accurately
Senior Information Risk Owner (SIRO)	To leading and foster a culture that values, protects and uses information for the success of the organisation and benefit of its customers To own the organisation's overall information risk policy and risk assessment processes and ensuring they are implemented consistently by Information Asset Owners (IAO's) To advise the Chief Executive or relevant accounting officer on the information risk aspects of the Council's annual governance statement To own the organisation's information incident management framework
Report Authors / Project Managers / Officers	To be aware of corporate risks and the service area risks the impact on their areas of work To consider the risk register when preparing project documentation and recommending action through decision making processes To recommend mitigating action for escalating risks To implement mitigating action for risks arising through the course of normal service delivery To ensure risks are assessed accurately

## Assessing 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

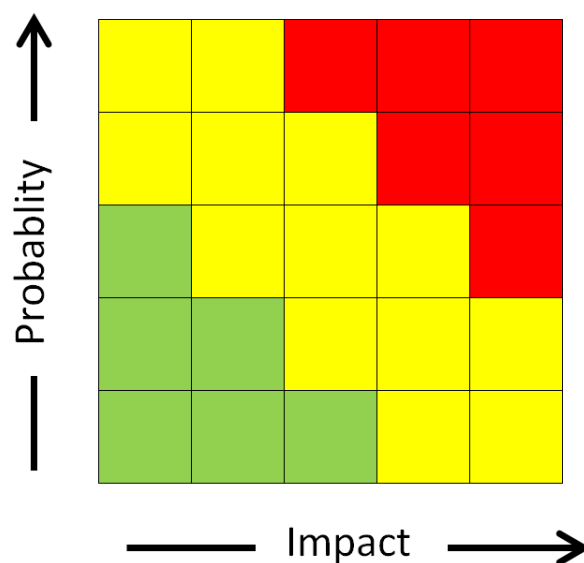
A Corporate Risk Register will contain the high level risks for the whole authority. In order to differentiate between these high level risks a 5x5 risk assessment matrix will be applied. The matrix is shown below and further detail is included in appendix one.

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

### Current Risk Matrix (Subject to change)



## Impact Matrix

RATING	SEVERITY OF IMPACT	GENERAL DESCRIPTION	IMPACT FACTORS						
			Strategic	Operational	Financial Management	Resources	Governance	Health & Safety	Reputation
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 (eg several institutions), adverse local press, complaint/s upheld by Ombudsman
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

<b>Score</b>	<b>General Description</b>	<b>Definition</b>
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



<b>RISK 1: Legislative Requirements</b>						
That new legislative requirements potentially place significant duties on the Authority that it cannot fulfil (resulting in adverse judgements from regulators, significant fines and potential court proceedings and/or existing services are compromised)						
Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	February 2016	16	4	4	Unchanged	June 2016
	December 2015	16	High probability	High Governance impact	<i>The is continued pressure on the council to implement the new duties detailed by new legislation</i>	
	August 2015	16				
<b>Current Action Status / Control Strategy</b>	<p>Social Services Act</p> <ul style="list-style-type: none"> <li>• Specific details and guidance for the Act is being produced. Officers are participating in Working Groups with Welsh Government to formulate and influence the guidance.</li> <li>• Work is being undertaken on eligibility criteria</li> <li>• Staff are being regularly informed of progress</li> <li>• Possible implementation of the Act is planned for March 2015 onwards</li> <li>• Big emphasis on prevention and early intervention</li> <li>• Possible funding and support available for Welsh authorities for Social Services Act and Future Generations Act</li> </ul> <p>Welsh Language Act</p> <ul style="list-style-type: none"> <li>• Strategic equalities group now overseeing implementation</li> <li>• Project plan agreed and in place</li> <li>• Translator employed and based with Caerphilly CBC to enable both authorities to work in partnership</li> <li>• Extended provision of Welsh language courses provided by Caerphilly CBC</li> <li>• Early engagement with Welsh Language groups in the area, providing support and expertise for the development of the Welsh Language Standards action plan (in development)</li> <li>• Welsh Language included in Service Plans</li> <li>• Increasing awareness of the Welsh Language Standards across the authority</li> </ul> <p>Future Generations Act</p> <ul style="list-style-type: none"> <li>• Cabinet report in September to become an early adopter of Future Generations Act</li> <li>• Public Services Board development group in place</li> </ul>					
<b>Responsible Officer:</b> Chief Executive						
<b>Responsible Cabinet Member:</b> Cabinet Member for Social Care and Wellbeing, Cabinet Member for Human Resources and Assets						
<b>Scrutiny Committee(s):</b> (1) Community Planning and Development and (2) Learning, Caring and Leisure						

**RISK 2: Increasing Ageing Population**

That an increasing percentage of the population are over 65 are this puts an increasing strain on demand led services, particularly those that are statutory in nature and significant budgetary overspends

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
<p>Probability</p> <p>Impact</p>	February 2016	12	4	3	Unchanged ↔  <i>Demographic Pressures indicate a 14% rise in the number of adults over 70yrs of age by 2020. There are also increasing numbers of older people with complex health conditions and national research indicates that local authority adult services budgets need a % year on year real terms increase in budgets to manage this challenge. The economic climate makes this rate of budget increase extremely unlikely, thereby indicating increasing unmet need..</i>	June 2016
	December 2015	12	High probability	Medium Financial Management Impact		
	August 2015	12				
	May 2015	12				
	March 2015	12				
	August 2014	8				
<b>Current Action Status / Control Strategy</b>	<ul style="list-style-type: none"> <li>• Focussing on preventative measures and developing resources for prevention and early intervention with colleague agencies to reduce pressure on more acute statutory services</li> <li>• Transforming existing services to provide an optimal care pathway for older people focussing on independence and re-ablement</li> <li>• Implementing through project management approach with strong management and performance monitoring</li> <li>• Development of a long term dialogue with communities aiming to strengthen community resilience and capability</li> <li>• Development of a whole council approach to building community resilience</li> </ul>					
<b>Responsible Officer:</b> Strategic Director People						
<b>Responsible Cabinet Member:</b> Cabinet Member for Social Care and Wellbeing						
<b>Scrutiny Committee:</b> Community Planning and Development						

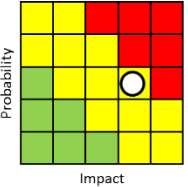

**RISK 3: Capacity and capability to meet the councils objectives**

That there are not skills and or capacity within the workforce to deliver both operational services and also the pace of change needed to modernise services and balance the budget.

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	February 2016	12	4	3	Unchanged Work continues in this area	June 2016
	December 2015	12	High Probability	Medium Operational Impact		
	August 2015	12				
<b>Current Action Status / Control Strategy</b>	<ul style="list-style-type: none"> <li>• Development of the workforce plan</li> <li>• Investment in Project Management and business change resources</li> <li>• More effective use of central support resource</li> <li>• Training Master classes developed</li> <li>• Use of external resource / experts</li> <li>• Coaching, shadowing and mentoring opportunities</li> </ul>					
<b>Responsible Officer:</b> Chief Executive						
<b>Responsible Cabinet Member:</b> Cabinet Member for Human Resources and Assets						
<b>Scrutiny Committee:</b> Community Planning and Development						

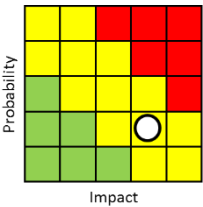
**RISK 4: Budget Challenge**

That the continuing need for significant annual savings is increasingly difficult to achieve and that could compromise organisational capacity and service delivery including statutory services

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	February 2016	12	3	4	Unchanged 	June 2016
	December 2015	12	Medium probability	High Financial Management impact	<i>Whilst assumptions on WG revenue grant support has improved and therefore reduced medium term budget gap over medium term, the planning parameters still assume an annual cash reduction in grant and therefore savings required which are increasingly difficult to achieve, without cuts to service provision. Impact on organisational capacity and delivery of services therefore still significant</i>	
	August 2015	16				
<b>Current Action Status / Control Strategy</b>	<ul style="list-style-type: none"> <li>• Business planning process identifies impact of all savings including impact on statutory services</li> <li>• Agreed financial strategy</li> <li>• Robust and early work on the financial strategy and budget</li> <li>• Medium term outlook within the financial strategy</li> <li>• 2016/17 budget resolved subject to consultation and final decisions</li> <li>• Business cases 2016/17 and 2017/18 developed and reviewed</li> <li>• MTFP still required balancing over the medium term</li> </ul>					
<b>Responsible Officer:</b> Chief Executive						
<b>Responsible Cabinet Member:</b> Leader						
<b>Scrutiny Committee:</b> Community Planning and Development						

**RISK 5: Safeguarding**

That the arrangements and the implementation of policies and procedures by the council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
 <p>Probability</p> <p>Impact</p>	February 2016	8	2	4	Unchanged ↔	September 2016
	August 2015	8	Low Probability	High Governance Impact	<p><i>The level of risk is manageable because this is an area of absolute priority for the local authority.</i></p> <p><i>We have created new safeguarding manager roles across the council and we have strong links with national and regional safeguarding boards</i></p>	
	March 2015	8				
	August 2014	8				
<b>Current Action Status / Control Strategy</b>	<ul style="list-style-type: none"> <li>• Safeguarding Action Plan agreed and implementation underway</li> <li>• Continuous review of policies and procedures</li> <li>• Partnership working</li> <li>• Raising awareness of policies and procedures with staff</li> <li>• Service Manager for Safeguarding is in place</li> <li>• New Safeguarding role in Education</li> </ul>					
<b>Responsible Officer:</b> Strategic Director - People						
<b>Responsible Cabinet Member:</b> Cabinet Member for Education and Young People, Cabinet Member for Social Care and Wellbeing						
<b>Scrutiny Committee:</b> Learning, Caring and Leisure						

**RISK 6: Investment in Friars Walk Development**

That the development does not realise its target value and the developer is unable to sell or re-finance the scheme to repay the loan

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
<p>Probability</p> <p>Impact</p>	February 2016	2	1	2	Unchanged	June 2016
	December 2015	2	Very Low Probability	Low Financial Management Impact	<i>Developer's currently progressing marketing of the Scheme to the market and are in discussions with various parties. Scheme is c83% let by income and developers working to increase that over the next 12 months. At this level, the scheme has a good level of value which significantly reduces any impact of a sale value, though it can never be zero risk, until such time as a buyer/value is confirmed. Deadline for repayment of the Council loan is Nov 16.</i>	
	August 2015	4				
	May 2015	6				
	March 2015	8				
	November 2014	12				
	August 2014	12				
<b>Current Action Status / Control Strategy</b>	<ul style="list-style-type: none"> <li>• Financial Appraisals independently verified by Deloitte</li> <li>• Financial modelling undertaken based on different yields, voids rates and rental levels</li> <li>• Retail and Leisure anchor stores secured (Debenhams and Cineworld) and other major store units now leased.</li> <li>• Robust and tested Funding Agreement, Development Agreement and Lease</li> <li>• Safeguards built in to mitigate financial risks</li> <li>• Council able to exercise step-in rights</li> <li>• Monthly meetings with Developers to monitor progress</li> <li>• (See Council Report 26<sup>th</sup> November 2013)</li> </ul>					
<b>Responsible Officer:</b> Strategic Director – Place						
<b>Responsible Cabinet Member:</b> Cabinet Member for Regeneration and Development						
<b>Scrutiny Committee:</b> Streetscene, Regeneration and Safety						

**RISK 7: City Deal**

That the SE Wales region, which includes Newport CC, cannot conclude a city deal within the timescales and as a result misses the opportunity to secure investment to improve economic outcomes for the communities of the city

Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	February 2016	9	3	3	Unchanged ↔	June 2016
	December 2015	9	Medium Probability	Medium Strategic Impact	<p><i>Discussions are ongoing with UK and Welsh Govts. A great deal of progress has been made working across the 10 Local Authorities in terms of developing the partnership which will be critical to the city deal.</i></p> <p><i>The aim is to have a heads of terms agreement with UK Govt by the end of March 2016.</i></p> <p><i>Until this is done the risk is unchanged</i></p>	
	August 2015	9				
<b>Current Action Status / Control Strategy</b>	<ul style="list-style-type: none"> <li>Governance arrangements are in place to provide oversight at a regional level. The initial submission will set out the parameters of the deal we are seeking to make and will provide the foundations for the detailed work which needs to be done over the autumn.</li> <li>Aiming for a heads of terms agreement between UK Govt, Welsh Govt and the 10 Local Authorities by the end of March 2016. This will then be subject to agreement by council before any substantive action is taken</li> </ul>					
<b>Responsible Officer:</b> Chief Executive,						
<b>Responsible Cabinet Member:</b> Leader of the Council						
<b>Scrutiny Committee:</b> Community Planning and Development						