

# Report

## Cabinet

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### Part 1

Date: 19 June 2019

Item No: 5

### **Subject** Quarter 4 Corporate Risk Register Update

**Purpose** To present an update of the Corporate Risk Register for the end of quarter 4 (31<sup>st</sup> March 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 4 there were 14 risks recorded in the Council's Corporate Risk Register made up of 5 high risks, 8 medium risks and 1 low risk. In quarter 4, the risk rating for the Council's Brexit risk decreased in the last quarter from 16 to 12. This reflected the postponement of Brexit from March to October 2019 and the imminent threat of a 'No Deal' Brexit from the EU. The Brexit risk will continue to be closely monitored and the Council has arrangements in place should the national position change. The 'Legislation' risk decreased from 12 to 6 in the last quarter which is in reflection of the work undertaken with the Well-being for Future Generations Act. The In-year Financial Management risk decreased to a risk score of 4 following the underspend incurred across the Council at the end of the financial year. All remaining risk scores remained the same in the last quarter. Newport Council is undertaking a Council wide review of all of its risks that will develop into a new Corporate Risk Register for 2019/20.

**Proposal** Cabinet is asked to consider the contents of the Corporate Risk Register for the Quarter 4 update.

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

**Timetable** Immediate

This report was prepared after consultation with:

- Corporate Management Team
- Audit Committee

**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.

### 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 multi-agency 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.

As part of the Council's ongoing review of risk management the Corporate Risk is being reviewed to identify any new / emerging risks that could impact on the delivery of services in 2019/20 and beyond. The outcomes of this review will be reported to the Audit Committee in as part of the Quarter 1 review.

### 2. Summary of risks in this report

At the end of quarter four (31<sup>st</sup> March 2019) there were 14 corporate risks consisting of 5 high risks, 8 medium risks and 1 low risk. 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 quarter 4 there were three risks where there was a change in the risk score:

- **Risk 1 (Legislative Requirements)** – This risk was focused on the legislative changes with the Welsh Language Act, Well-being for Future Generations Act, Data Protection Act and Waste Management legislation. The risk score decreased from 12 to 6 in the last quarter to reflect the work that has been undertaken in relation to the Well-being for Future Generations Act. As part of a wider review of the Corporate risk register, this risk will be re-assessed to identify new and emerging risks relating to legislation changes that will impact the delivery of Council services.
- **Risk 4 (Brexit)** – In the last quarter the Council had made sufficient preparations for the initial Brexit deadline of 29<sup>th</sup> March 2019 and was routinely in communication with Welsh Government, Gwent Local Resilience Forum, other public sector bodies, and the third sector. With the National Government postponing Brexit to 31<sup>st</sup> October 2019 and the work undertaken by the Council the imminent threat of a 'No Deal' scenario has lessened for the time being resulting in the score decreasing from 16 to 12. The Council will be continuing to monitor the situation closely and will be prepared to increase its Brexit preparations should the situation change again.

- **Risk 5 (In Year Financial Management)** – This risk decreased from 8 to 4 in the last quarter following the Council’s end of year financial review that reported an overall underspend in the Council’s budget. However, in light of the ongoing demand pressures on the Council services for 2019/20, this risk will be re-evaluated to reflect the Council’s budget position at the end of quarter 1.

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.  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 the Corporate Risk Register and request an update on the progress of actions taken to address the recommendations raised by the Audit Committee and Cabinet, in the quarter three report.
2. To request further information or reject the contents of the risk register

### Preferred Option and Why

1. To consider the contents of the Corporate Risk Register and request an update on recommendations raised in the quarter three report. This will give the Cabinet sufficient assurance and oversight of the main overarching risks that the council faces in delivering the objectives of the Corporate Plan.

### 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 this report goes forward to Cabinet for consideration, including the Audit Committee comments.

## **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 Audit Committee was presented with a copy of the Quarter 4 Risk Register on 6<sup>th</sup> June 2019. The Committee noted the contents of the report for the last period and agreed for discussion at the next meeting on the development of the Council's Risk Appetite statement for comment.

## **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 Audit Committee

## **Background Papers**

Corporate Risk Register, Cabinet 13<sup>th</sup> March 2019

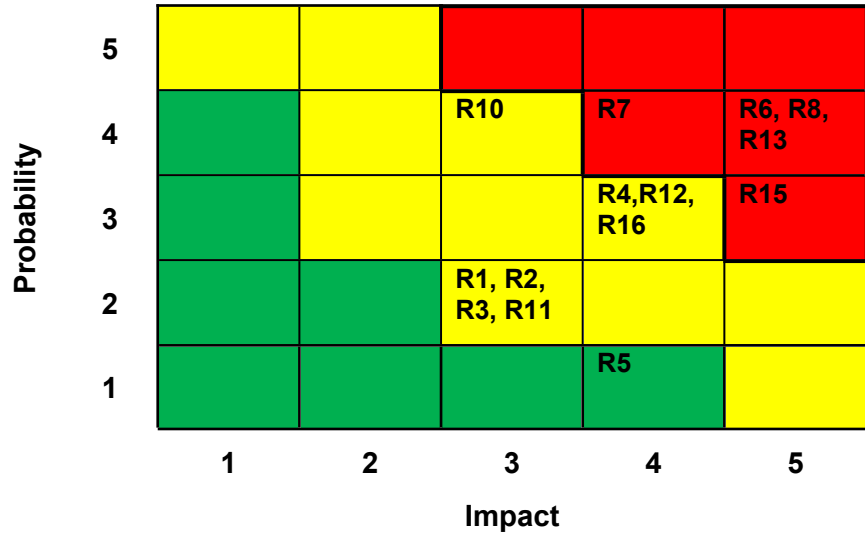
Corporate Risk Register, Audit Committee 28<sup>th</sup> March 2019

Corporate Risk Strategy, June 2018

Report to Audit Committee, June 2019

Dated: June 2019

**Appendix 1 - Quarter 4 Corporate Risk Heat Map**



<b>Corporate Risk Heat Map Key</b>	
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

### Risk Score Profile between Quarter 1 and Quarter 4 2018/19

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

## 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	
<b>1</b>	<b>Negligible</b>	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)
<b>2</b>	<b>Low</b>	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	
<b>3</b>	<b>Medium</b>	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

<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