

Report

Audit Committee



Part 1

Date: October 2019

Item No: 6

Subject **Quarter 1 Corporate Risk Register Update**

Purpose To present an update of the Corporate Risk Register for the end of quarter 1 (30th June 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 the 2018/19 financial year we undertook an organisation review of the Council's risks and asked each service area to identify the risks that will prevent them from achieving the Council's corporate objectives and their service plan objectives. The result of this review has led to the establishment of a new Corporate Risk Register that now 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 Leadership Team and Corporate Management Team. At the end of quarter 1, we have identified 7 high level risks (risk scores 15 to 25); 5 medium risks (risk scores 5 to 14).

Proposal Audit Committee is asked to consider the contents of this report and assess the 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:

- Senior Leadership Team (SLT)
- Corporate Management Team

Signed

Background

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 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 on risk process considered by Cabinet.

1. Risk Management Strategy

In May 2018, Cabinet endorsed the Council's Risk Management Strategy. The Strategy outlines the Council's governance arrangements in the identification, escalation, management and monitoring of risk. In 2018/19 we commenced a review of the Council's risk management processes and to improve the arrangements in place for managing risk across the organisation. This was also supported by an Internal Audit review which had also identified similar improvements in the Council's risk governance and management processes. At the end of the last financial year improvements had been made to the Council's risk register that now enables:

- Monitoring of risks at corporate, service and project levels in the organisation;
- Enable alignment to the Council's corporate plan objectives (Wellbeing and Theme) and service plan objectives;
- Incorporation of inherent, residual and target risk scores;
- Risk mitigation actions are now monitored through a RAG (Red / Amber / Green) assessment every quarter with progress of delivery included against each action;
- Risk mitigation actions are also linked to service plan actions (where applicable) to improve and demonstrate how service plan actions are mitigating risk.

As part of the Council's annual review of service plans we asked each service area to review their corporate, service and project risks and to identify any risks that would prevent them from achieving their objectives in 2019/20 and beyond. The result of this work identified 57 risks and following consultation with the Council's Senior Leadership Team 12 risks were escalated for monitoring through the Council's Corporate Risk Register (See appendix 1). The remaining risks will continue to be monitored through the Council's Theme Boards (Resilient Communities / Aspirational People / Thriving City / Modernised Council), Service Area Management Teams and Project Boards on a quarterly basis. Mechanisms are now in place for service areas to escalate risks and for the SLT to de-escalate risks back to the service areas.

2. Summary of risks in this report

At the end of quarter 1 (30th June 2019) there were 12 corporate risks which consisted of 8 High risks (15 to 25); 4 Medium Risks (5 to 14). 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 new Corporate Risk Register for 2019/20. We would like to highlight the following risks for Cabinet's attention:

- **Brexit** – The Brexit risk has been carried forward into 2019/20 and its risk score has increased to 16 which reflects the change of Prime Minister and likelihood of a 'No Deal' Brexit by the 31st October 2019. The Council's Brexit Task & Finish group has been monitoring the situation throughout quarter 1 and we have increased our communications with Welsh Government, Welsh Local Government Association and Gwent Local Resilience Forum.

- **(NEW) Demand for Additional Learning Needs (ALN) and Special Education Needs (SEN) support** – This is a new risk that has been escalated to the corporate risk register (Risk score 12). 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. Actions have been identified in Education Services to reduce this impact.
- **(NEW) Educational Out of County Placements** – This risk is linked to the ALN and SEN risk above and has been scored 16. This risk relates to the increased pressure on the Council's existing provision for ALN and SEN support and the potential of increased reliance on placements outside of the city.
- **(NEW) Schools Finance / Cost pressures** – This risk has been escalated to the Corporate Risk Register and is related to schools financial pressures being faced in 2019/20. Several schools have forecasted potential deficits at the end of the financial year. Education Services and Finance teams are working together with the Schools to identify actions to mitigate these pressures and implement action plans to improve their end of year financial position.

Appendix 2 of this report is the Council's Corporate Risk Register. Following development of the Council's Management Information Hub, the layout and information contained in the register has now changed.

3. Next Steps

To support the development of a risk appetite and the new system, we will develop a new Risk Management Policy that will replace the current Risk Management Strategy. This will incorporate the Council's Risk Appetite statement and update the Council's governance arrangements for managing risk. We will also develop a Risk Management procedure document and guidance to support the Policy and embed risk management culture. It is anticipated for these documents to be ready for review by the Audit Committee in quarter 3 to review the Policy for comments to Cabinet. We are planning for these new documents to be ready for Cabinet by December 2019.

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 to continue monitoring progress of actions taken to address the risks identified in the report.
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. Effective monitoring and reporting against the Council's Corporate Risk Register is essential in minimising and preventing the likelihood and impact of risks against our objectives. The recent changes made to our risk management processes and system will ensure officers at all levels of the organisation have greater control and oversight of their risks taking the necessary action to mitigate their impact and escalate where necessary to senior management.

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

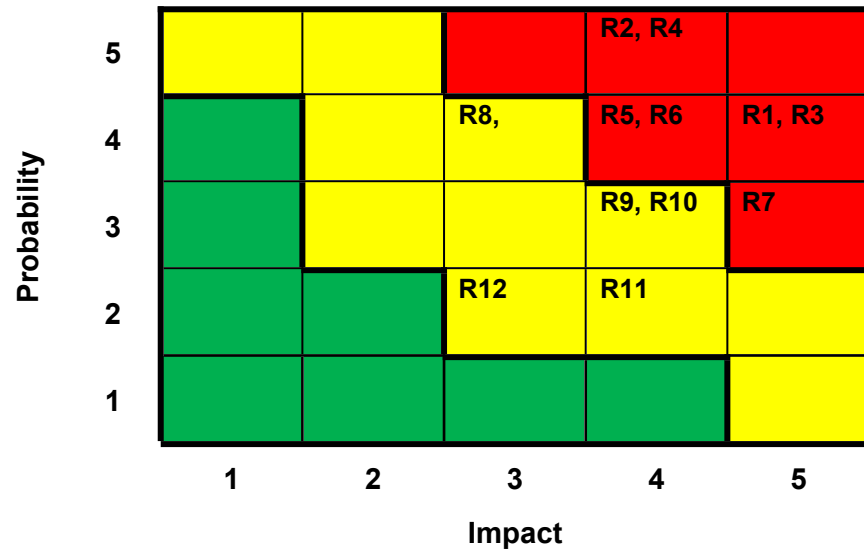
Cabinet Report, September 2019

Corporate Risk Strategy, June 2018

Audit Committee Report, June 2018

Dated: October 2019

Appendix 1 - Quarter 1 Corporate Risk Heat Map



Corporate Risk Heat Map Key	
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 2 2018/19 and Quarter 1 2019/20

Risk Position	Risk No. - Description	Risk Score Quarter 2 2018/19	Risk Score Quarter 3 2018/19	Risk Score Quarter 4 2018/19	(Current) Risk Score Quarter 1 2019/20
R1	Balancing the Council's Medium Term budget.	20	20	20	20
R2	Stability of Social Services Providers	16	20	20	20
R3	Highways Network	25	20	20	20
R4 (NEW)	Schools Finance / Cost Pressures	-	-	-	20
R5	Decision to leave the European Union (Brexit)	9	16	12	16
R6 (NEW)	Educational Out of County Placements	-	-	-	16
R7	City Centre Security and Safety	-	15	15	15
R8	Climate Change	12	12	12	12
R9 (NEW)	Demand for ALN and SEN support	-	-	-	12
R10	Newport Council's Property Estate	-	12	12	12
R11	In year financial management	8	8	4	8
R12	Safeguarding	8	6	6	6

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
5	Very High	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