

# Report

## Audit Committee

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### Part 1

Date: 29 September 2020

**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 2020).

**Author** Head of People and Business Change

**Ward** All

**Summary** The Council's Corporate Risk Register monitors those risks that may prevent the Council from achieving its Corporate Plan or delivering services to its communities and service users in Newport.

In quarter 4 the Corporate Risk Register has 13 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 4, we have identified 8 high level risks (risk scores 15 to 25); 3 medium risks (risk scores 10 to 14) and 2 low risk (0-9) as outlined in the report. The Corporate Risk Register also saw the inclusion of the Covid 19 related risk.

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** Corporate Management Team and Heads of Service

**Timetable** Immediate

This report was prepared after consultation with:

- 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 Policy 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. In July 2020 the new Risk Management Policy for 2020-22 was approved by the leader of the Council. This policy is attached as part of the background papers of this report for reference.

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. To assess risk scores Newport City Council uses a standard 5x5 matrix that is commonly adopted across Welsh and English local authorities. Appendix 1 of this report shows a heat map of the Council's corporate risks using this map.

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 Corporate Management Team (CMT) 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 the Directors team 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.

## Covid-19 response & 2020/21 Planning / Q4 risk update

During quarter four (January to March 2020) Wales and Newport faced the Covid-19 pandemic which was emerging across the communities in Newport. As per the Civil Contingencies Act, Newport Council alongside its strategic partners established the necessary business continuity arrangements to ensure front line services remained operational and necessary protection / mitigating actions were in place to protect service users, communities and staff. Since February 2020, Newport Council's Gold command (Corporate Management Team / Cabinet) have been managing daily operational risks and issues that have emerged throughout this period. As part of the Council's planning process, service areas have undertaken a further review of their risk registers to account for any emerging and/or new risks as a result of Covid-19. A further update on the strategic and operational risks impacting the Council during Covid-19 outbreak will be reported in the 2020/21 quarter 1 risk update.

At the end of Quarter 4 (31<sup>st</sup> March 2020), 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. One new risk has been identified, none have been escalated or closed at the end of the quarter. The risk report has been considered by the Corporate Management Team (CMT) and will be presented to Cabinet (date to be confirmed).

<b>Service Area</b>	<b>Number of Risks</b>
Adult & Community Services	4
Children & Young People Services	2
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>52</b>

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

Of the 52 risks, there are 13 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
- (NEW) Covid 19 Pandemic Outbreak

At the end of the quarter, a summary of new risks and where risk scores have changed between quarter 3 and quarter 4:

- **(NEW) Covid 19 Pandemic Outbreak** – In quarter 4 the Council added the Covid 19 risk onto the risk register as a result of Covid 19 spreading across communities in Newport and impacting on the delivery of Council services. The Council implemented its Gold Command Business Continuity arrangements to manage operational and community risks and issues for Newport with direct communications to regional and national groups.
- **Stability of Social Care Providers (Increase from 20 to 25)** – The emergence of the Covid 19 crisis was having a direct (inherent) impact on Social Care Providers (residential and domiciliary) in quarter 4. The capacity and ability for providers to be able to provide the necessary care and support for service users was being affected by Covid outbreaks in the community and in care settings across Newport.
- **Balancing the Council' Medium Term Budget Plan (Reduction from 20 to 15)** – At the end of the financial year the Council had reduced the gap between its forecasted projections for the next 3 years.
- **In Year Financial Management (Reduction from 12 to 3)** – At the end of the financial year the Council's financial outturn reported an overall underspend which resulted in the risk reducing from 12 to 3. However, it should be noted that due to the impact of Covid 19 on the Council's in year financial risk this is likely to increase. This will be reported in the Quarter 1 update.
- **Schools Finance Cost Pressures (Reduction from 20 to 16)** – At the end of the financial year the Council's Cabinet agreed a cash injection into the school's budgets reducing the impact of deficits. However, there remains individual schools facing a deficit budget position and further action is required to reduce the impact of overspending in 2020/21.
- **Demand for Additional Learning Needs (ALN) and Special Educational Needs (SEN) support (Reduction from 20 to 16)** - The budget for 2020/21 include the new Additional Learning Needs funding formula agreed with head teachers which reduces the immediate risk. During the lock down there has been an increase of requests for Formal Assessment for pupils who may require specialist placements or additional support.

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 control and governance arrangements in the Council. As the report has highlighted, Covid 19 has had a significant impact on the delivery of Council services which have been managed through the Council's business continuity arrangements. As the Council is moving towards recovery and operating in a 'new normal' emerging opportunities and risks will have an impact on how we deliver services both in the short and long term. Having an effective risk management system and culture will be important for the Council's Leadership and senior officers to make evidence based decisions.

## **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**

Under the Wellbeing of Future Generations Act (Wales) 2015 and its 5 ways of working principles this report supports:

Long Term – Having effective risk management arrangements will ensure that the opportunities and risks that will emerge consider the long term impact on service users and communities.

Preventative – Identifying opportunities and risks will ensure the Council is able to implement necessary mitigations to prevent or minimise their impact on Council services and service users.

Collaborative – The management of risk is undertaken throughout the Council and officers collaborate together within service areas, Corporate Management Team and the Council's Cabinet to ensure decisions are made in a timely manner and are evidence based.

Involvement – The Council's Risk Management process involves officers across the Council's service areas and Cabinet Members.

Integration – Risk Management is being integrated throughout the Council and supports the integrated Planning, Performance and Risk Management Framework. The Framework ensures that planning activities consider the opportunities and risks to their implementation and overall supports the delivery of the Council's Corporate Plan and legislative duties.

### **Crime and Disorder Act 1998**

Not applicable.

### **Consultation**

As above, the Risk Register is considered by Audit Committee and Cabinet.

### **Background Papers**

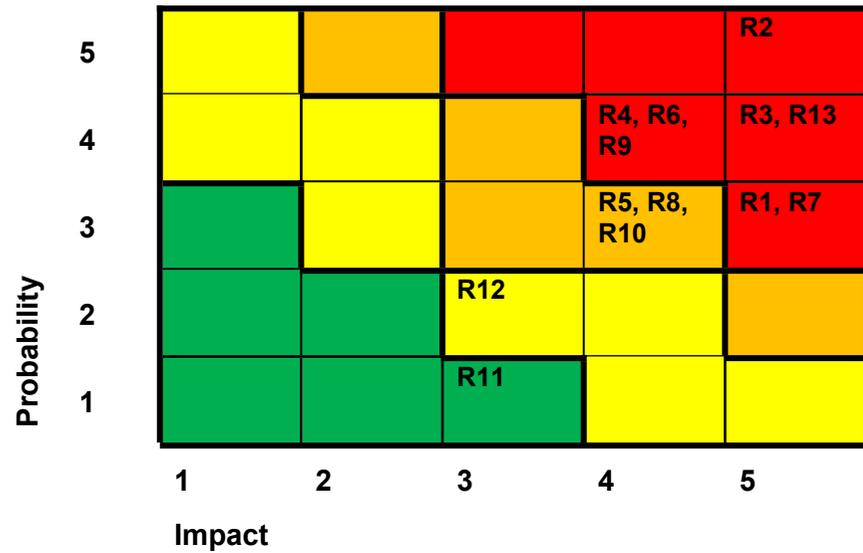
Risk Management Policy 2020-22 v1

Q3 Risk Cabinet Report, March 2020

Q2 Risk Report Audit Committee January 2020

Dated: August 2020

Appendix 1 - Quarter 4 Corporate Risk Heat Map



Corporate Risk Heat Map Key	
R1 – Balancing the Council’s Medium Term budget	R8 – Climate change
R2 – Stability of social services providers	R9 – Demand for ALN and SEN support
R3 – Highways network	R10 – Newport Council’s property estate
R4 – Schools finance and cost pressures	R11 – In year financial management
R5 – Brexit - Decision to leave the European Union	R12 - Safeguarding
R6 – Educational out of county placements	<b>(NEW)</b> R13 - Covid 19 Pandemic Outbreak
R7 – City centre security and safety	

**Risk Score Profile between Quarter 1 2019/20 and Quarter 4 2019/20**

Risk Position	Risk No. - Description	Risk Score Quarter 1 2019/20	Risk Score Quarter 2 2019/20	Risk Score Quarter 3 2019/20	(Current) Risk Score Quarter 4 2019/20	Target Risk Score
R1	Balancing the Council's Medium Term budget.	20	20	20	15	10
R2	Stability of Social Services Providers	20	20	20	25	6
R3	Highways Network	20	20	20	20	9
R4	Schools Finance / Cost Pressures	20	20	20	16	6
R5	Brexit - Decision to leave the European Union	16	16	12	12	10
R6	Educational Out of County Placements	16	16	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	20	16	12
R10	Newport Council's Property Estate	12	12	12	12	9
R11	In year financial management	8	12	12	3	6
R12	Safeguarding	6	6	6	6	4
R13	NEW - Covid 19 Pandemic Outbreak	-	-	-	20	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

Score	Description	Impact Measures						
		Strategic / Policy	Operational / Business Continuity	Financial	Governance / Legal / Regulatory	Health & Safety	Reputational	Project Delivery / Savings / Benefits
5	<b>Severe</b>	Failure of a key strategic objective	Serious organisational / service failure that has direct impact on stakeholders including vulnerable groups.  Service disruption over 5+ days.	<b><u>Corporate / Project</u></b>  Unplanned and/or additional expenditure disturbance.  Capital > £1M Revenue >£1M	Legislative / Regulatory breach resulting in multiple litigation / legal action taken on the Council (linked to Financial / Reputational Impacts).	Multiple major irreversible injuries or deaths of staff, students or members of public.  (Linked to Financial / Reputational Impacts)	Severe and persistent National media coverage. Adverse central government response, involving (threat of) removal of delegated powers. Officer(s) and / or Members forced to Resign.	Project status is over 12 months from anticipated implementation date.  Project(s) do not deliver the major benefits / savings identified in business case.  This is linked to Financial / Strategic / Reputational Impacts
4	<b>Major</b>	Severe constraint on achievement of a key strategic objective	Loss of an important service(s) for a short period that could impact on stakeholders.  Service disruption between 3-5 days.	<b><u>Corporate / Project</u></b>  Unplanned and/or additional expenditure disturbance. Capital > £0.5M - £1.0M Revenue >£0.5M-£1M	Serious legislative breach resulting in intervention, sanctions and legal action. (Linked to Financial / Reputational Impacts)	Major irreversible injury or death of staff, student or member of public. (Linked to Financial / Reputational Impacts)	Adverse publicity in professional / municipal press, affecting perception / standing in professional /local government community  Adverse local and social media publicity of a significant and persistent nature.	Project status is 6 to 12 months over from anticipated implementation date.  Project(s) do not deliver major benefits / savings identified in business case.  This is linked to Financial / Strategic / Reputational Impacts
3	<b>Moderate</b>	Noticeable constraint on achievement of a key strategic objective / Service Plan objective.	Loss and/or intermittent disruption of a service between 2-3 days.	<b><u>Corporate / Project</u></b>  Unplanned and/or additional expenditure disturbance.  Capital = £0.25M - £0.5M	Significant legislative breach resulting in investigation. (Linked to Financial / Reputational Impacts)	Major reversible injury to staff, student or member of public. Not life threatening.  (Linked to Financial /	Adverse local publicity / local public opinion including social media. Statutory prosecution of a non-serious nature.	Project status is 1 to 6 months over from anticipated implementation date.  There is significant reduction on delivery of benefits / savings identified in business case.

Score	Description	Impact Measures						
		Strategic / Policy	Operational / Business Continuity	Financial	Governance / Legal / Regulatory	Health & Safety	Reputational	Project Delivery / Savings / Benefits
				Revenue = £0.25M to £0.5M Revenue = £0.25M to £0.5M		Reputational Impacts)		This is linked to Financial / Strategic / Reputational impacts.
2	Low	Constraint on achievement of Service Plan objective that does not impact on Corporate Strategy	Brief disruption of service that has a minor impact on the delivery of a service.  Service disruption 1 day.	<b>Corporate / Project</b>  Unplanned and/or additional expenditure disturbance.  Capital = £0.1M - £0.25M Revenue = £0.1M – £0.25M	Moderate impact leading to warning and recommendations.	Some minor reversible injuries.  (Linked to Financial / Reputational Impacts)	Contained within Directorate Complaint from individual / small group, of arguable merit	Project status is 1 to 4 weeks over from anticipated implementation date.  There is minor reduction on delivery of benefits / savings identified in business case.  This is linked to Financial / Strategic / Reputational impacts.
1	Very Low	Constraint on achievement of Service / Team Plan objective	Minor disruption of a non-critical service.	<b>Corporate / Project</b>  Unplanned and/or additional expenditure disturbance.  Capital < £100k Revenue <£100k	No reprimand, sanction or legal action.	Some superficial injuries.  (Linked to Financial / Reputational Impacts)	Isolated complaint(s) that are managed through the corporate complaints process and service area.	Project status is 1 week over from anticipated implementation date.  There is insignificant / no impact on delivery of benefits / savings identified in business case.  This is linked to Financial / Strategic / Reputational impacts.

## Probability

Score	Probability	Criteria
5	<b>Very likely</b> 75% +	<p><b>Systematic Risks</b> – Local evidence indicating <b>very high</b> probability of occurrence if no action / controls are in place. Risk is highly likely to occur daily, weekly, monthly, quarterly.</p> <p><b>Emerging Risks</b> – National and Global evidence indicating <b>very high</b> probability of occurrence on local communities if no action / controls are taken. Risks are highly likely to occur within the next 5 years.</p>
4	<b>Likely</b> 51-75%	<p><b>Systematic Risks</b> – Local evidence indicating <b>high</b> probability occur in most circumstances with near misses regularly encountered e.g. once or twice a year.</p> <p><b>Emerging Risks</b> – National and Global evidence indicating <b>high</b> probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 5-10 years.</p>
3	<b>Possible</b> 26-50%	<p><b>Systematic Risks</b> – Local evidence indicating <b>distinct</b> possibility with circumstances regularly encountered and near misses experienced every 1-3 years.</p> <p><b>Emerging Risks</b> – National and Global evidence indicating <b>distinct</b> probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 10-15 years.</p>
2	<b>Unlikely</b> 6-25%	<p><b>Systematic Risks</b> – Local evidence indicating <b>low</b> to infrequent near misses experienced every 3 + years.</p> <p><b>Emerging Risks</b> – National evidence indicating <b>low</b> probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 16-25 years.</p>
1	<b>Very Unlikely</b>	<p><b>Systematic Risks</b> – Local evidence indicating risk has rarely / never happened or in exceptional circumstances.</p> <p><b>Emerging Risks</b> – National evidence indicating very low probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 16-25 years.</p>

**Systematic Risks** – Risks that are known or are becoming part of social, cultural, economic and environmental systems that govern our lives.

**Emerging Risks** – Risks that are further away, less defined and early stage of being known about.