AUDIT COMMITTEE	

Date of Meeting	12 September 2018
Report Subject	Annual Review of Strategic Risks
Report Author	Chief Executive

EXECUTIVE SUMMARY

This risk management update provides a position statement on the strategic risks contained within the Council's 2017/18 Council Plan.

The Council Plan 2017/18 was adopted by the Council in September 2017; this report provides an annual assessment of the strategic risks contained within the Plan.

The 48 strategic risks within the Council Plan have been successfully managed with the majority being assessed at the end of the year as minor or insignificant 6 (12%) or moderate 29 (63%) which is an improvement on the initial risk assessment which was minor / insignificant 3 (6.5%) and moderate 31 (67.5%). The major (red) risks stayed at 12 (26%) during the year. Of the original 12 red risks four reduced in significance, whilst another four risks increased in significance to become 'red'.

RECOMMENDATIONS	
1	To note the status for the 2017/18 end of year summary of the strategic risks of the Council priorities of the Council; endorsing the successful management of risks, where these are in control by the Council.

REPORT DETAILS

1.00	STRATEGIC RISKS
1.01	<u>Council Priorities – Strategic Risks</u> The Council adopted the Council Plan for 2017/18 in September 2017. The adoption of the plan and its priorities provides the opportunity to monitor the strategic risks aligned to those priorities and sub priorities; this is done on a quarterly basis by each of the Overview and Scrutiny Committees and reported to Audit Committee at the mid and end of year point. This end of year report is to assure the Committee that the risk levels which are in the control of the Council are moving in a positive direction and have been successfully managed.
1.02	The Audit Committee's role is to ensure that the process and approach for managing risks is robust. As part of this process the Overview and Scrutiny committees have received quarterly progress reports against the Council Plan for 2017/18. These have included a template for each risk capturing: • the nature of each risk; • the gross and net (initial and current) RAG status for each risk; • current actions already in place to mitigate the risk; • further activity to mitigate the risk; • risk trend (via arrows).
1.03	**Monitoring our Risks** Analysis of the current risk levels for the strategic risks identified in the Council Plan is as follows: Analysis of the direction of travel for the strategic risks identified in the Council Plan is as follows: A summary of the status of all risks captured in the Council Plan is attached at Appendix 1. An analysis of the current status of the 46 risks measured over the year is shown in Table 1 below and shows the general positive change from the initial assessment to the end of year position.

Table 1: Comparative assessment (rounded figures)

Net risk status	Initial Assessment	End Year Position
Insignificant: (green)	0 (0%)	2 (4.5%)
Minor: (yellow)	3 (6.5%)	4 (8.5%)
Moderate: (amber)	31 (67.5%)	28 (61%)
Major : (red)	12 (26%)	12 (26%)
Severe: (black)	0	0

The twelve areas of major (red) risk are described below including 4 risk areas (marked*) which have increased in significance during the year:

The 12 major (red) risks are: -

Priority: Supportive Council
Risk (i): Availability of sufficient funding to resource key priorities*
Risk (ii): Customer expectations for the timeliness of adaptations undertaken through Disabled Facilities Grants (DFGs) may not be met due to competing demands on resources*
The performance on DFG timescales has been an area of challenge over time. There are projects underway to improve performance including rolling out use of the new adaptations procurement framework and further process improvements. However, demand upon the DFG budget required delaying the least urgent cases in the latter part of 2017/2018 which impacted upon average time scales for DFGs.

Performance timescales and processes for the timely completion of Disabled Facilities Grant adaptations are now the subject of a managerial overview group to examine causes and put in place improvements.

Risk: Debt levels will rise if tenants are unable to afford to pay their rent or council tax*
The first year of Universal Credit full service resulted in an increase in rent arrears for our tenants. Council Tax collection rates, however, appear to be unaffected at this stage. Work continues in 2018/19 to target early intervention for tenants claiming Universal Credit to tackle rent arrears and to encourage payment of rent to avoid new or escalating arrears in order to ensure that homelessness is prevented wherever possible and rent collection is maximised.

Risk: Demand outstrips supply for residential and nursing home care bed availability.
The expansion of Marleyfield to support the medium term development of the nursing sector is ongoing. The re-phasing of Integrated Care Fund capital to fit in with our capital programme was agreed by Welsh Government. There remain several active workstreams, including the development of resources to support the sector, diagnostic reviews for providers.

Risk (i): Knowledge and awareness of safeguarding not sufficiently developed in all portfolios
Risk (ii): Failure to implement safeguarding training may impact on cases not being recognised at an early stage.
Safeguarding is included within the corporate induction procedures, ensuring new employees can recognise the signs and know how to make a report.

Safeguarding awareness workshops were delivered during National Safeguarding Week in November 2017 and further training was delivered in January 2018. A safeguarding page is available on the intranet providing resources to support employees and managers. This work remains a priority.

Priority: Learning Council
Risk: Sustainability of funding streams.
The sustainability of grant funding remains a major and live risk with further cuts to grant funding anticipated in 2019/20.

Concern during 2017/18 about the future year's funding from 2018/19 onwards was demonstrated by a total reduction in Education Improvement Grant (EIG) of 7.69% which was a cash reduction in grant funding of £525k. A significant element (£175k) of this reduction was the removal of Minority Ethnic Achievement Grant (MEAG) funding from the EIG. Following high levels of concern raised with Welsh Government by all authorities about the removal of MEAG, Welsh Government issued additional grant funding in July to allow Authorities time to develop a sustainable model for delivery of MEAG services with partner local authorities – Flintshire received £117k. The distribution of the remaining 'cut' £350k (5.3%) in EIG was agreed by the GWE Management Board as the primary recipient of the grant. As over 80% of the grant is delegated to schools the reduction has impacted schools directly.

Withdrawal of grants without notification and late notification of new grant income streams by Welsh Government create challenges and risks for the local authority.

Risk: Numbers of school places not matching the changing demographics.
Reducing unfilled school places via school organisation change is an ongoing process. School change projects can take between three and five years from inception to delivery before reductions of unfilled places can be realised. This continues to be an ongoing process linked to the school modernisation programme. To supplement this the Council continues to work closely with schools to consider innovative ways for reduction in capacity on a school by school basis (i.e. alternative use of school facilities by other groups) with the objective of meeting national targets of circa 10% unfilled places in all school sectors.

Risk: Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets.
Continuation of the School Modernisation programme is one of the strategic options available to address the repair and maintenance backlog. The programme continuation also: i) supports a reduction of unfilled places; ii)

	provides a more efficient school estate and concentrates resources on teaching by removal of unwanted fixed costs in infrastructure and leadership; and iii) ensures that the condition and suitability of the school estate is improved. Additionally, future year's capital business cases supplement the 21st Century Schools investment programme. **Priority: Green Council** **Risk: Funding will not be secured for priority flood alleviation schemes** Measure 10 of Flintshire's Local Flood Risk Management Strategy is to "identify projects and programmes which are affordable, maximising capital funding from internal and external sources". The Flood Risk Management have now designed a more affordable, modular scheme to replace that previously designed and approved to alleviate Mold's flooding. **Risk: Adverse weather conditions on the highway network*** The risk trend increased due to the severity of the winter increasing the likelihood of the risk occurring. Road conditions throughout the County were detrimentally affected following poor winter weather and, given the severity of this winter period, the local network has been adversely affected by road surface defects and potholes. Repairing the Council's roads is a priority for the service and resources were provided to identify and then prioritise the roads in need of repair. Additional funds, resources and contractors were deployed across the county over several weeks in efforts to repair the network as the defects were identified. Schemes for the resurfacing and permanent patching contracts were prioritised for the summer period, which commenced in June 2018. This more expensive and permanent repair to the road surface is part of the annually planned maintenance regime. **Priority: Serving Council** **Risk: The scale of the financial challenge** The impact of the Final settlement for Flintshire was a decrease in funding of 0.9%. The Final settlement reduced the decrease in funding to 0.2%. Stage 1 budget options were approved in November 2017 and Stage 2 options were considered and agreed in principle with Council in December 2017 with a couple of areas being referred to specific scrutiny committees for further consideration. The annual budget for 2017/18 has now been set. An initial forecast for 2019/20 was considered by Cabinet in April 2018; the risk remains high for future budget years.
1.04	Four major (red) risks reduced in significance during 2017/18: **Priority: Supportive Council** **Risk: Annual allocation of the Integrated Care Fund (ICF) - Short term funding may undermine medium term service delivery** The re-phasing of agreed Integrated Care Fund (ICF) capital funding was agreed to fit with our capital programme. Welsh Government confirmed the ongoing use of ICF revenue funding for existing projects. The Chair of the North Wales Regional Partnership Board and the Chief Executive of the Betsi Cadwaladr University Health Board (BCUHB) have created an agreement around the allocation of funds to support delivery of medium term services.

Risk: Rate of increase of adult safeguarding referrals will outstrip current resources

Responsibilities within Adult Safeguarding and First Contact and Intake have been realigned, with no additional resource. Safeguarding Managers are able to effectively delegate tasks for high priority cases; this ensures that those enquiries that do not meet timescales are of a lower priority. Quarter 1 monitoring is showing an increase in safeguarding reports, so the risk remains open until we can be sure that we can continue to manage these effectively.

Risk: The supply of affordable housing will continue to be insufficient to meet community needs

Partnership working with the RSLs (Registered Social Landlords), the SHARP (Strategic Housing and Regeneration Programme) team and developers informs the type and tenure of any new build; acquisitions and ultimately identifies gaps for future investment. This is achieved through a process of pulling together information from the SARTH (Single Access Route to Housing), the affordable housing register and the Homelessness team, ensuring the demand informs supply. There is a shortfall in affordable housing as identified in the Local Housing Market Assessment, but the housing which is being provided is focused on meeting the needs of those in urgent housing need.

Priority: Learning Council
Risk: Impact of Additional Learning Needs reforms

The Additional Learning Needs (ALN) and Education Tribunal (Wales) Bill received Royal Assent in January 2018 and became the Additional Learning Needs and Education Tribunal (Wales) Act 2018. The implementation date has been revised to September 2020, with 2019 being the publication date for the draft Code of Practice. Four regional ALN Transformational Leads have been appointed to oversee and support the implementation of the Act and they took up post in March. An audit tool has been generated for local authorities to complete; this will give greater insight into the risks posed by the Act across the intervening two year period prior to implementation in 2020.

2.00	**RESOURCE IMPLICATIONS**
2.01	There are no direct resource implications related to this report.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	Consultations with Chief Officers, senior managers and both Internal and external audit (Wales Audit Office) have been undertaken whilst addressing various aspects of this report.

4.00	**RISK MANAGEMENT**
4.01	The Council's strategic Council priority risks are being effectively managed through the Council's adopted risk management approach.

5.00	**APPENDICES**
5.01	Appendix 1: Council Plan 2017/18 summary risk register Appendix 2: Council Plan 2017/18 risk report

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	**2017/18 Council Plan** **Contact Officer:** Karen Armstrong, Corporate Business and Communications Executive Officer **Telephone:** 01352 702740 **E-mail:** Karen.armstrong@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	(1) **Council Plan:** the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009 to set Council Objectives and publish an Council Plan. (2) **Wales Audit Office:** works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes. (3) **Risk Management** - the process of **identifying** risks, **evaluating** their potential consequences (impact) and **managing** them. The aim is to reduce the frequency (likelihood) of risk events occurring (wherever this is possible) and minimise the severity of their consequences (impact) if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.