

AUDIT COMMITTEE

Date of Meeting	Wednesday, 10 July 2019
Report Subject	Risk Management Update
Portfolio Holder	The Leader
Report Author	Chief Executive

EXECUTIVE SUMMARY

This risk management update provides an end of year position statement on the strategic risks contained within the Council's 2018/19 Council Plan.

Council Plan risks

The Council Plan 2018/19 was adopted by the Council in June 2018. This report provides an overview of the strategic risks contained within the Plan.

The 44 strategic risks within the Council Plan have been managed with the majority being assessed at the end of year as moderate 28 (64%) or minor/insignificant 11 (25%). Detail around the 5 (11%) red risks is provided in the body of the report; the majority relating to the financial position of the Council. Five risks have been sufficiently mitigated to be closed during the year.

RECOMMENDATIONS

1	To be assured that risks have been managed throughout the year and note the end of year status of the strategic risks of the 2018/19 priorities of the Council.
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REPORT DETAILS

1.00	STRATEGIC RISKS
1.01	<u>Council Priorities – Strategic Risks</u> The Council adopted the Council Plan for 2018-19 in June 2018. The adoption of the plan and its priorities provides the opportunity to monitor

	<p>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-year points. This report is to assure the Committee that the risk levels have been managed throughout the year.</p>																					
1.02	<p>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 2018/19 in November, March and July. These included a template for each risk capturing:</p> <ul style="list-style-type: none"> • the nature of each risk; • the gross, net and target RAG status for each risk; • current actions already in place to mitigate the risk; • further activity to mitigate the risk. <p>The end of year monitoring reports have been produced and the direction of risk trend identified. This is shown by a comparison with the initial assessment against the current assessment to identify any change in risk significance.</p>																					
1.03	<p>The Council Plan has a total of 44 risks which have been assessed as shown in Table 1. The initial status of risk is assessed when the risk is first identified without any mitigating controls. The current assessment shows the latest status of the risk.</p> <p>Table 1: Initial and end of year assessment</p> <table border="1" data-bbox="424 1207 1252 1512"> <thead> <tr> <th>Net risk status</th> <th>Initial Assessment</th> <th>Current Assessment</th> </tr> </thead> <tbody> <tr> <td>Insignificant: (green)</td> <td>1 (2%)</td> <td>5 (11%)</td> </tr> <tr> <td>Minor: (yellow)</td> <td>1 (2%)</td> <td>6 (14%)</td> </tr> <tr> <td>Moderate: (amber)</td> <td>30 (69%)</td> <td>28 (64%)</td> </tr> <tr> <td>Major : (red)</td> <td>12 (27%)</td> <td>5(11%)</td> </tr> <tr> <td>Severe: (black)</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total</td> <td>44</td> <td>44</td> </tr> </tbody> </table> <p>During the year 5 risks were sufficiently mitigated to be “closed”. These are:</p> <ol style="list-style-type: none"> i) “Delivery of social care is insufficient to meet increasing demand” - this is a specific risk related to the development of Marleyfield which is progressing well. This risk was ‘closed’ at Quarter 3. ii) “Early Help Hub cannot deliver effective outcomes” – this has proven to be effective during its first year of operation. This risk was ‘closed’ at Quarter 3. iii) “Reduction of land supply for Council housing construction” – work is underway to identify land suitable for construction for the remaining properties. -This risk was ‘closed’ at Quarter 4. 	Net risk status	Initial Assessment	Current Assessment	Insignificant: (green)	1 (2%)	5 (11%)	Minor: (yellow)	1 (2%)	6 (14%)	Moderate: (amber)	30 (69%)	28 (64%)	Major : (red)	12 (27%)	5(11%)	Severe: (black)	0	0	Total	44	44
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	<p>iv) “Annual allocation of the Integrated Care Fund (ICF)” – ICF Capital funding has been agreed to fit with our capital programme. - This risk was ‘closed’ at Quarter 4.</p> <p>v) “Rate of increase of adult safeguarding referrals will outstrip current resources” – Realignment of resources within Adult Safeguarding and Intake and First Contact. - This risk was ‘closed’ at Quarter 4.</p> <p>During the year, one risk increased from Amber to Red: “Debt levels will rise if tenants are unable to afford to pay their rent or council tax”. This risk is described in section 1.04 below.</p>
1.04	<p>The five areas of major (red) risk identified at the year end of the Council Plan are described below. The text contains the most current description of mitigation of the risk.</p> <p>Priority: Supportive Council Risk: Debt levels will rise if tenants are unable to afford to pay their rent or council tax.</p> <p>During 2018/19 focus has been on early identification and intervention to prevent any problems from escalating. The identification of the impacts of Universal Credit on Council Tenants and their rent accounts has been undertaken by a team that works with tenants at the earliest opportunity. Intervention at early stages allows support (if appropriate) to be identified earlier giving a more realistic chance of the rent account coming back under control and out of arrears.</p> <p>The Council now has "Trusted Partner" status with the Department for Work and Pensions which means that processes and flow of information and payments is more streamlined and automated. Notwithstanding this, there will inevitably always be an element of cash flow arrears on accounts due to Universal Credit payments (whether direct to the council or directly to the tenant) being made in arrears.</p> <p>Council Tax collection remains under pressure.</p> <p>Risk: Demand outstrips supply for residential and nursing home care bed availability.</p> <p>The expansion of Marleyfield to support the medium term development of the nursing sector continues under the direction of the Programme Board. The re-phasing of Integrated Care Fund (ICF) capital to fit in with the Council’s capital programme has been agreed by Welsh Government. Recommendations from Social & Health Care Overview and Scrutiny Committee were that the Committee support the ICF programme and the initiatives of utilising short term funding streams to deliver against strategic and operational priorities for the council and key partners. Workstreams from the Strategic Opportunity Review are continuing. A review for Programme Board of demand and supply in light of the new capital developments has been undertaken.</p> <p>Priority: Learning Council Risk: Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets.</p> <p>Continuation of the School Modernisation programme is one of the strategic options available to address the repair and maintenance backlog.</p>

	<p>The programme continuation will also i) Support a reduction of unfilled places ii) Provide a more efficient school estate and concentrate resources on teaching by removal of unwanted fixed costs in infrastructure and leadership iii) Ensure that the condition and suitability of the school estate is improved. Additionally, in future years capital business cases will be submitted through the Council process to supplement the 21st Century Schools investment programme.</p> <p>Priority: Green Council Risk: Funding will not be secured for priority flood alleviation schemes.</p> <p>Since 7th January 2019, the Council has a new statutory duty as a Sustainable Drainage Approving Body (SAB). This has placed significant resource demands on the relatively small Flood and Coastal Risk Management Team to implement, resource and fund this new statutory role. In the short-term (1-2 years) the impacts of developing this new service will lessen the ability of the Team to delivery non-statutory flood alleviation schemes. Welsh Government provided the Council with £20 000 to mitigate the impacts of this new responsibility. As the Council reviews the implications of its new role as a SAB, no major schemes will be programmed to be put forward to Welsh Government's 'national pipeline of projects' for delivery in 2019/20. However, additional funding for smaller more affordable local works that can be delivered through Welsh Government's small scale scheme grant will continue to be pursued.</p> <p>Priority: Serving Council Risk: The scale of the financial challenge</p> <p>Council considered the final stage 3 of the budget in February and approved the setting of a balanced budget by utilising additional reserves of £0.321m (to bring the total amount funded from reserves to £2.221m) and an increase in Council Tax of 8.75%. The financial challenge will continue into 2020/21 and beyond with the Cabinet considering the financial forecast for 2020/21 to 2021/22 which is projecting an initial gap of £13.3m for 2020/21.</p> <p>All red risks have been captured in the Annual Governance Statement 2018/19 and will continue to be monitored.</p>
1.05	<p>Eight of the initial red risks have been mitigated to reduce in significance:</p> <ul style="list-style-type: none"> - The supply of affordable housing will continue to be insufficient to meet community needs - Annual allocation of the Integrated Care Fund (ICF) - Short term funding may undermine medium term service delivery - Rate of increase of adult safeguarding referrals will outstrip current resources - Knowledge and awareness of safeguarding not sufficiently developed in all portfolios - Failure to implement safeguarding training may impact on cases not being recognised at an early stage - Impact of Additional Learning Needs reforms - Sustainability of funding streams - Numbers of school places not matching the changing demographics

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 adopted risk management approach.

5.00	APPENDICES
5.01	Appendix 1: Council Plan Strategic Risk report Appendix 2: Council Plan risk register

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	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	<p>(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 a Council Plan.</p> <p>(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.</p> <p>(3) Risk Management - the process of identifying risks, evaluating their potential consequences (<u>impact</u>) and managing them. The aim is to reduce the frequency (<u>likelihood</u>) of risk events occurring (wherever this is possible) and minimise the severity of their consequences (<u>impact</u>) 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.</p>