AUDIT COMMITTEE

Date of Meeting	Wednesday 24 January 2018
Report Subject	Mid-year Risk Report
Portfolio Holder	The Leader of the Council and Cabinet Member for Finance and Assets
Report Author	Chief Executive

EXECUTIVE SUMMARY

This risk management update provides an initial position statement on the strategic risks contained within the Council's 2017/18 Council Plan. It also provides an overview of the recent Risk Management review undertaken by Internal Audit.

Council Plan risks
The Council Plan 2017-23 was adopted by the Council in September 2017; this report provides an initial overview of the strategic risks contained within the Plan which were presented to Cabinet in November. The later adoption of the new Council Plan means that an analysis of risk trend will be undertaken as part of the February cycle of reporting to Cabinet and Overview and Scrutiny Committees.

The 48 strategic risks within the Council Plan are being managed with the majority being assessed as moderate 32 (67%) or minor/insignificant 5 (10%). Detail around the 11 (23%) red risks are provided in the body of the report; the majority relating to the financial position of the Council.

Risk Management review
Assurance of the Council's risk management processes and procedures is usually undertaken by Internal Audit on an annual basis. The focus of the most recent risk management audit was on the identification, management and reporting of operational risks. The overall assurance level was 'Reasonable Assurance' (Amber/Green) with 4 recommendations (3 medium (Amber) and 1 low (Green)).

RECOMMENDATIONS	
1	To note the status of the initial overview of the strategic risks of the 2017/18 priorities of the Council.

2	To note the outcomes of the recent Internal Audit review of the Council's risk management arrangements and the Council's management response.

REPORT DETAILS

1.00	STRATEGIC RISKS
1.01	Council Priorities – Strategic Risks The Council adopted the Council Plan for 2017-23 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-year point. This report is to assure the Committee that the risk levels are being 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 received their first quarterly progress report against the Council Plan for 2017/18 in November. These included a template for each risk capturing: • 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. The Quarter 3 monitoring reports (October to December 2017) will also show the direction of the risk trend. This is shown by a comparison with the initial assessment against the current assessment to identify any change in risk significance.
1.03	The Council Plan has a total of 48 risks which have been assessed as shown in Table 1. Table 1: Initial assessment | Net risk status	Initial Assessment
Insignificant: (green)	1 (2%)
Minor: (yellow)	4 (8%)
Moderate: (amber)	32 (67%)
Major : (red)	11 (23%)
Severe: (black)	0	
1.04	The eleven areas of major (red) risk as assessed at the Quarter 2 period (June to September) of the Council Plan are described below. The text contains the most current description of mitigation of the risk. The Quarter 3 monitoring reports may show a change in status to these 'red' risks. **Priority: Supportive Council** **Risk: Availability of sufficient funding to resource key priorities.** The adaptations budget is monitored monthly to ensure there is sufficient

availability for funding key priorities. In addition to this a Community and Enterprise Efficiency and Resilience Statement has been prepared which sets the resilience levels for the current year in terms of service scale and quality, capability and service sustainability which includes the impact in the event of funding being withdrawn. Demand for adaptations is exceeding the capital budget available in 2017/18.

Risk: Debt levels will rise if tenants are unable to afford to pay their rent or council tax.

We are currently working together to identify early intervention tools for those tenants that fall into arrears with their rent. A model based on the Early Help Hub within Children's Services is being explored and resources committed to ensure that homelessness is prevented and rent collection is maximised.

Risk: Demand outstrips supply for residential and nursing home care bed availability.

Recommendations have been approved to explore further the extension of Marleyfield (32 beds for intermediate care and discharge to assess). This expansion will also help to support the medium term development of the nursing sector. A Strategic Opportunity Review has been completed and approved by Cabinet. There are several active workstreams, including the development of resources to support the sector, such as a provider portal. In addition, a letter has been sent to Welsh Government highlighting the risks and areas for concern.

Risk: Annual allocation of Integrated Care Funding (ICF) - Short term funding may undermine medium term service delivery.

We have requested the re-phasing of agreed ICF capital funding to be allocated for the expansion to 2021 to fit with our capital programme. Senior Officers are liaising with Welsh Government to confirm the ongoing use of ICF revenue funding for existing projects. This risk remains Red.

Risk: Knowledge and awareness of safeguarding not sufficiently developed in all portfolios.

Safeguarding training is available and a communication plan is being implemented which will increase employee awareness of safeguarding issues. Safeguarding is included within the corporate induction via e-learning, 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 is planned for January and February 2018.

Risk: Failure to implement safeguarding training may impact on cases not being recognised at an early stage.

Safeguarding is included in the corporate induction ensuring all new employees have a basic understanding of safeguarding. Safeguarding training is provided regularly ensuring employees have the opportunity to access appropriate training.

Priority: Learning Council
Risk: Sustainability of funding streams.

The sustainability of grant funding remains a major risk. The Council has recently received, without prior intelligence from Welsh Government (WG), notification of an 11% cut to the Education Improvement Grant, resulting in a real term reduction of approximately quarter of a million pounds. This grant funds a range of posts within schools e.g. Foundation Phase Support Staff and central service delivery within the portfolio. There is very limited guidance available at the current time from WG to be able to strategically plan for the implementation of this cut. Additionally, other grants e.g. Small and Rural School grant which was made available this year do not appear on the grant schedule for 2018/19. The School Uniform Grant for year 7 pupils entitled to Free School Meals has also been withdrawn without prior notification, leaving a potential cost pressure for the Council or schools to absorb.

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 will continue 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 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, future capital business cases will be submitted through the Council process to supplement the 21st Century Schools investment programme.

Priority: Green Council
Risk: Funding will not be secured for priority flood alleviation schemes.

Grant availability continues to be monitored. A five year programme of capital works and flood alleviation schemes has been developed based on transparent criteria in line with Welsh Government guidance to feed into the national pipeline programme. These projects have been assessed on affordability and ability to maximise capital funding from internal and external sources. The required skill sets to implement effective and

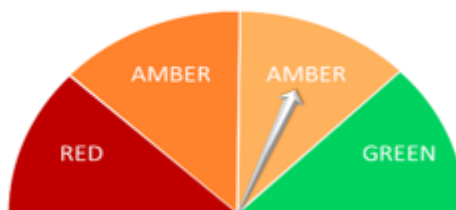|	innovative flood risk management continue to be developed within the team.
	Priority: Serving Council **Risk: The scale of the financial challenge**
	The Provisional settlement was received on 10th October 2017. The impact of this for Flintshire is a decrease in funding of 0.9%, equivalent to £1.073m. This reduction has increased to £1.9m due to the impact of a new responsibility for Homelessness Prevention. The final settlement reduced the decrease in funding to 2%. Stage 1 budget options approved November 2017 with Stage 2 considered and agreed in principle with Council in December 2017 with a couple of areas referred to specific scrutiny committees for further consideration. Final Budget options to be considered January/February 2018.
1.05	**Risk Management review** The most recent review of the Council's risk management processes and procedures focused on the identification, management and reporting of operational risk. The assurance level was set at 'reasonable'. The full report is available at Appendix 3. Areas that were managed well were identified as: • Robust processes in place for the management of risk within strategic projects and change programmes. • Development of Portfolio Business Plans and Service Plans. • Close working links between Chief Officers allowing emerging risks to be shared / considered more widely. • Management of operational risk on a 'business as usual' basis. • Chief Officer visibility of risk through monthly one to one meetings with Service Managers. Areas for further improvement were identified as: •Limited reference to operational risk (which has the potential to impact service delivery) in Service Plans. •Inconsistent approach to the identification, evaluation, management and reporting of operational risk. •Inconsistency in the processes, roles and responsibilities for the

| | escalation and de-escalation of strategic risk.

•Risk Management Policy & Strategy to be updated to reflect current and planned practice.

Progress has been made on these identified areas for improvement; which are aimed at strengthening and ensuring consistency of processes already in place. The Risk Management Policy and Strategy is to be brought to this Committee for endorsement at its March meeting. |

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: Internal Audit – Risk Management report

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	(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. (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 (<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.