

AUDIT COMMITTEE

Date of Meeting	25 th January 2017
Report Subject	Strategic Risks – mid year review
Portfolio Holder	Leader of the Council
Report Author	Chief Executive

EXECUTIVE SUMMARY

This risk management update provides a position statement on the strategic risks contained within the Council's 2016/17 Improvement Plan.

The Improvement Plan 2016/17 was adopted by the Council in June 2016; this report provides a mid-term assessment of the strategic risks contained within the Plan.

The 51 strategic risks within the Improvement Plan have been successfully managed with the majority being assessed at the mid-year position as moderate 35 (68%) or minor/insignificant 10 (20%). The percentage of major (red) risks has decreased from 25% to 12% and the percentage of insignificant/minor risks has increased from 10% to 20%. There is one risk which has increased in significance; but overall the trends show successful management of risks during the year.

RECOMMENDATIONS

1	To note the status of the 2016/17 mid-year year summary of the strategic risks of the Improvement priorities of the Council; endorsing the successful management of the risks.
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REPORT DETAILS

1.00	STRATEGIC RISKS																		
1.01	<p><u>Improvement Priorities – Strategic Risks</u></p> <p>The Council adopted the Improvement Plan for 2016/17 in June 2016. 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 mid-year report is to assure the Committee that the risk levels are moving in a positive direction and have been successfully managed.</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 Improvement Plan for 2016/17. These have 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;• risk trend (via arrows).																		
1.03	<p>A summary of the status of all risks captured in the Improvement Plan is attached at Appendix 1. An analysis has been undertaken of the current net status of the 51 risks measured at the mid-year position. The results are shown in Table 1 and show the positive change from the initial assessment to the mid-year position.</p> <p>Table 1: Comparative assessment</p> <table><tr><th>Net risk status</th><th>Initial Assessment</th><th>Mid-year Position</th></tr><tr><td>Insignificant: (green)</td><td>0 (0%)</td><td>3 (6%)</td></tr><tr><td>Minor: (yellow)</td><td>5 (10%)</td><td>7 (14%)</td></tr><tr><td>Moderate: (amber)</td><td>33 (65%)</td><td>35 (68%)</td></tr><tr><td>Major : (red)</td><td>13 (25%)</td><td>6 (12%)</td></tr><tr><td>Severe: (black)</td><td>0</td><td>0</td></tr></table> <p>A more detailed report is attached at Appendix 2 which provides further detail on risk effects and mitigating actions.</p> <p>The six current areas of major (red) risk are:</p> <p>Priority: Living Well Risk: Fragility and sustainability of the care home sector.</p> <p>The regional fee setting group met on 18th October taking into account recent census data and data from local authority questionnaires over care hours and market intelligence.</p>	Net risk status	Initial Assessment	Mid-year Position	Insignificant: (green)	0 (0%)	3 (6%)	Minor: (yellow)	5 (10%)	7 (14%)	Moderate: (amber)	33 (65%)	35 (68%)	Major : (red)	13 (25%)	6 (12%)	Severe: (black)	0	0
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A Project Manager has been appointed to create a programme of work and priorities to support the care crisis.

Priority: Economy and Enterprise

Risk: Devolved powers in Wales do not match those in England.

The risk assessment remains unchanged however, there has been extensive work to make the case for increased devolution of powers as part of the North Wales Growth Vision.

Priority: Skills and Learning

Risk: Number of school places not matching the changing demographics.

Reducing unfilled school places via school organisation change is an on-going process which has a long timeline. School change projects can take 3 - 5 years from inception to delivery, before reductions of unfilled places can be realised. This continues to be an on-going 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 around 10% unfilled places in all school sectors. The recent school organisation change determinations will result in a reduction in unfilled places across both primary and secondary schools. As a snapshot, the Holywell Learning Campus project has reduced unfilled places in this area by circa 450 places.

Priority: Skills and Learning

Risk: Limited funding to address the backlog of known repair and maintenance work in Education & Youth Assets.

Continuation of the School Modernisation programme is the strategic way to address the repair and maintenance backlog. Additionally the programme continuation will also:

- support a reduction of unfilled places;
- provide a more efficient school estate and concentrate resources on teaching by removal of unwanted fixed costs in infrastructure and leadership; and
- ensure that the condition and suitability of the school estate is improved.

Additionally, business cases for capital improvement, repairs, and maintenance projects in schools are being considered as part of the Council Fund Capital Programme.

Priority: Environment

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

The grant situation and availability of funding continues to be monitored. A business case to access capital monies to potentially address flood risk schemes is under consideration as part of the Council Fund Capital Programme.

Priority: Modern and Efficient Council

	<p>Risk: The scale of the financial challenge</p> <p>The provisional settlement for 2017/18 was a cash flat position for Flintshire. In terms of the Medium Term Financial Strategy, this was a positive movement of £2.8m towards closing the gap of £14.4m.</p> <p>Stage 1 and 2 of the 2017/18 budget are now complete and work is in progress for the final closing strategy to meet the remaining gap of £2m, although options available to the Council are limited.</p>
1.04	<p>An analysis of risk trends from the initial risk assessment period in April 2016 to the mid-year position in September 2016 indicate that seven major (red) risks have reduced in significance:</p> <p>Priority: Housing Risk: The supply of affordable housing will continue to be insufficient to meet community needs.</p> <p>The Council continues to develop robust arrangements for delivery of new affordable housing in Flintshire through a number of different supply streams. The Council's Strategic Housing and Regeneration Programme (SHARP) is currently on site at Custom House, Connah's Quay and The Walks, Flint with a total of 114 new Council and affordable homes. NEW Homes Housing Company continues to deliver new affordable housing throughout the County and the Board have approved the development of 62 units on The Walks, Flint. The development of these units will be funded through a loan scheme from Flintshire County Council to NEW Homes.</p> <p>Priority: Housing Risk: Customer expectations for the timeliness of adaptations undertaken through disabled facilities grants will not be met due to competing demands on resources.</p> <p>Improvements to the adaptation process are currently being made including reducing bureaucracy of the programme, developing a framework for suppliers to speed up procurement, a new IT system to facilitate case management and, improving the purchasing of frequently used equipment. These measures are expected to bring down the timescale for adaptations that enter the system after they are in place.</p> <p>Priority: Economy and Enterprise Risk: The Northern Powerhouse and Local Enterprise Partnership (LEP) could present risks to the growth of the Flintshire economy if there is not devolution of powers and freedoms to match those being developed in England.</p> <p>The case for increased devolution of powers as part of the development of the North Wales Growth Vision has been made. There have also been positive discussions with Welsh Government in relation to the future role of the Economic Ambition Board and the emerging approach to regional working as an alternative to Local Government reorganisation.</p>

	<p>Priority: Economy and Enterprise Risk: Infrastructure investment does not keep pace with needs and business is lost to the economy.</p> <p>Flintshire has worked with partners across North Wales and the North West of England in developing ambitious visions for economic growth for both North Wales and the Cheshire Warrington area. Both visions set out the economic benefits that can be realised in the region and, the infrastructure needed to deliver them. These have been submitted to the UK Government for consideration. Further work is underway to identify barriers to developing the key strategic development sites in Flintshire.</p> <p>Priority: Modern and Efficient Council Risk: The willingness of the workforce and Trade Unions to embrace change.</p> <p>Organisational change programmes are broadly within planned timescales, reflecting the willingness of the workforce and Trade Unions to embrace change however, the transfer of library and leisure services has received support from both the workforce and Trade Union. 90% of the workforce voted in favour of the change.</p> <p>Priority: Modern and Efficient Council Risk: Limitations on public funding to subsidise alternative models.</p> <p>The amber rating is due to the transitional arrangements currently in place. The transitional period is nearly complete and reports were submitted to Cabinet in December 2016. Following this the risk status has changed.</p> <p>Priority: Modern and Efficient Council Risk: The capacity and capability of the organisation to implement necessary changes.</p> <p>Organisational change programmes are broadly on time and on budget.</p>
1.05	<p>One risk has increased in significance at the mid-year point.</p> <p>Priority: Modern and Efficient Council Risk: The pace of procurement collaborations and our limited control over their development.</p> <p>The National Procurement Service (NPS) has increased the pace of procurement collaboration delivery with 30+ framework agreements in place and further projects identified.</p> <p>Actual benefits to the Council from the NPS framework agreements are varied; further in-depth monitoring of these is being undertaken.</p>

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 improvement priority risks are being effectively managed through the adopted risk management approach.

5.00	APPENDICES
5.01	Appendix 1: Strategic mid-year 2016/17 risk register Appendix 2: Strategic mid-year 2016/17 risk report

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Improvement Plan 2016/17 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) Improvement 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 Improvement Objectives and publish an Improvement 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>

(4) CAMMS risk report – An explanation of risk report headings

Risk Title – Gives a description of the risk.

Lead Officer – The person responsible for managing the risk.

Supporting Officer – The person responsible for updating the risk.

Initial Risk Rating – The level of the risk at the start of the financial year (quarter 1). The five categories of risk are identified as follows; insignificant (green), minor (yellow), moderate (amber), major (red) and severe (black).

Current Risk Rating – The level of the risk at this quarter.

Trend Arrow – This shows if the significance of the risk has increased (upward arrow), decreased (downward arrow) or remained the same between the initial risk rating and the current risk rating (stable arrow).

Risk Status – This will either show as 'open' or 'closed'. If a risk is open then it is still a relevant risk, if the risk is closed then it is no longer a relevant risk. A new risk may be generated where a plan or strategy moves into a new phase.