

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Monday, 12 June 2017
<b>Report Subject</b>	Annual Review of Strategic Risks
<b>Report Author</b>	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 an annual 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 end of the year as minor or insignificant 21 (41%) or moderate 23 (45%) which is an improvement on the initial risk assessment which was minor / insignificant 5 (10%) and moderate 33 (65%). The major (red) risks have reduced from 13 (25%) to 7 (14%) during the year as risk was successfully managed.

### RECOMMENDATIONS

1	To note the status for the 2016/17 end of 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

<b>1.00</b>	<b>STRATEGIC RISKS</b>
1.01	<u>Improvement Priorities – Strategic Risks</u> The Council adopted the Improvement Plan for 2016/17 in June 2016. The adoption of the plan and its priorities provides the opportunity to

	<p>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 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"> <li>• the nature of each risk;</li> <li>• the gross, net and target RAG status for each risk;</li> <li>• current actions already in place to mitigate the risk;</li> <li>• further activity to mitigate the risk;</li> <li>• risk trend (via arrows).</li> </ul>																		
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 this quarter. The results are shown in Table 1 and shows the positive change from the initial assessment to the mid-year position.</p> <p>Table 1: Comparative assessment</p> <table border="1" data-bbox="416 1088 1262 1357"> <thead> <tr> <th>Net risk status</th> <th>Initial Assessment</th> <th>End Year Position</th> </tr> </thead> <tbody> <tr> <td><b>Insignificant: 1 (green)</b></td> <td>0 (0%)</td> <td>11 (21%)</td> </tr> <tr> <td><b>Minor: 2 (yellow)</b></td> <td>5 (10%)</td> <td>10 (19%)</td> </tr> <tr> <td><b>Moderate: 3 (amber)</b></td> <td>33 (65%)</td> <td>24 (46%)</td> </tr> <tr> <td><b>Major : 4 (red)</b></td> <td>13 (25%)</td> <td>7 (14%)</td> </tr> <tr> <td><b>Severe: 5 (black)</b></td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>The seven current areas of major (red) risk are described below including two risk areas (marked*) which have increased in significance during the year:</p> <p><b>Priority: Housing</b>  Risk: Council funding for adaptations and home loans will not be sufficient to meet demand.*</p> <p>Demand for Disabled Facilities Grant (DFG) funding has increased as the delivery of DFGs has increased in speed. Although demand has exceeded budget provision savings in other areas of the service have offset this.</p> <p><b>Priority: Living Well</b>  Risk: Fragility and sustainability of the care home sector.</p> <p>A five day summit with Betsi Cadwaldr University Health Board and the six North Wales Authorities was held to discuss fragility and the impact on admissions into acute hospitals and early discharge. Monthly follow up sessions are taking place in North East Wales to take forward the agreed</p>	Net risk status	Initial Assessment	End Year Position	<b>Insignificant: 1 (green)</b>	0 (0%)	11 (21%)	<b>Minor: 2 (yellow)</b>	5 (10%)	10 (19%)	<b>Moderate: 3 (amber)</b>	33 (65%)	24 (46%)	<b>Major : 4 (red)</b>	13 (25%)	7 (14%)	<b>Severe: 5 (black)</b>	0	0
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actions. Providers are involved in these discussions and, fee setting is ongoing. The project manager has undertaken initial research and identified both 'quick wins' and medium to long term opportunities to support the sector, and is working with new providers to support their entry into the Flintshire market. The pressure on the Welsh Government to increase the cap on day care has resulted in an increase from £60 to £70 per week with incremental progression to £100 per week over time to support the sector. Although progress is being made the level of risk remains red due to the ongoing fragility of the sector.

**Priority: Skills and Learning**

Risk: Number 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. 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 around 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 one of the strategic options available to address the repair and maintenance backlog. 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, in future years capital business cases for improvement and repairs, and maintenance projects in schools will be submitted via the Council's business case process for consideration.

**Priority: Poverty**

Risk: Available funding for energy efficiency measures may fall short of public demand.\*

There remains more demand for energy efficiency measures than the current level of funding allows, in particular for solar panels and external wall insulation. Expectations are being managed as far as possible and other sources of funding to increase the level of provision are being

	<p>actively considered.</p> <p><b>Priority: Environment</b> Risk: Funding will not be secured for priority flood alleviation schemes.</p> <p>Grant availability continued to be monitored throughout 2016-17 and a capital bid to potentially address flood risk schemes was also developed. The Mold scheme has been raised as a potential National Development Framework project which will provide greater strength when seeking capital. A review of the permitted Mold scheme is also in progress.</p> <p><b>Priority: Modern and Efficient Council</b> Risk: The scale of the financial challenge</p> <p>The Final Local Government Settlement for 2017/18 was received and is more favourable than the figure projected within the forecast. The annual budget for 2017/18 has now been set. The risks remain high for future budget years.</p>
1.04	<p>Analysis of risk trends shows changes from the initial risk assessment period in April 2016 to the end of year position.</p> <p>Eight major (red) risks have reduced in significance during 2016/17:</p> <p><b>Priority: Housing</b> Risk: The supply of affordable housing will continue to be insufficient to meet community needs.</p> <p>The Council's Strategic Housing And Regeneration Programme (SHARP) continues to progress, with the first scheme of 12 new Council homes completed on the site of the former Custom House School site, Connah's Quay. Work also commenced on The Walks, Flint which will deliver 92 Council (30) and affordable homes (62) and 40 properties at smaller sites at Connah's Quay, Leeswood and Mold. In March 2017, Cabinet approved site feasibility and investigation works on a further 22 site across Flintshire which will potentially deliver a further 363 Council and affordable properties. With these properties, the total programme will comprise 507 homes which includes 277 Council properties, 157 affordable rent properties and 73 affordable purchase properties. The Housing Programmes Team is a statutory consultee to planning applications and ensures the delivery of affordable housing provision on market led schemes in line with planning policy and local needs. This includes developers providing gifted units for affordable rent through NEW Homes Ltd or through Shared Equity where we currently have 285 properties (which excludes those that have been sold). The Council also oversees the delivery of the Social Housing grant (SHG) with local housing association partner. NEW Homes continues to grow with a further 14 affordable properties transferred to the management of the company. A further 12 are scheduled for 2017/18. Affordable properties delivered through the planning system during 16/17 was 46.</p> <p><b>Priority: Housing</b> Risk: Customer expectations for the timeliness of adaptations undertaken through disabled facilities grants will not be met due to competing</p>

demands on resources.

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 purchase of frequently used equipment. These measures are expected to bring down the timescale for adaptations.

**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.

There has been extensive work to make the case for increased devolution of powers as part of the development of the North Wales Growth Vision. A Growth Deal Bid for North Wales is imminent. The Bid will develop the region's competitive position. Joint work with the Northern Powerhouse, Cheshire and Warrington LEP and the Mersey Dee Alliance is strong. The respective regional developments are complementary.

**Priority: Economy and Enterprise**

Risk: Infrastructure investment does not keep pace with needs and business is lost to the economy.

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. See the commentary in the above priority. Further work is underway to identify barriers to developing the key strategic development sites in Flintshire. Welsh Government has announced major road infrastructure investment in Flintshire and is developing a North Wales Metro in partnership with the regional councils which will modernise transport infrastructure in the region.

**Priority: Economy and Enterprise**

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

There has been extensive work to make the case for increased devolution of powers as part of the development of the North Wales Growth Vision. A Growth Deal Bid for North Wales is imminent. See above.

**Priority: Modern and Efficient Council**

Risk: The willingness of the workforce and Trade Unions to embrace change.

Detailed work has taken place with employees and trade unions on the asset transfers and the five services that are establishing Alternative Delivery Models. In each case an agreed position has been reached which demonstrates co-operative working.

**Priority: Modern and Efficient Council**

Risk: Limitations on public funding to subsidise alternative models.

	<p>Final diligence work for each of the three new Alternative Delivery Models shows that the level of public funding available in the foreseeable future is adequate to support the new companies.</p> <p><b>Priority: Modern and Efficient Council</b>  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>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no direct resource implications related to this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
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.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The Council's strategic Improvement priority risks are being effectively managed through the Council's adopted risk management approach.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1: Improvement Plan 2016/17 summary risk register Appendix 2: Improvement Plan 2016/17 risk report

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><a href="#">Improvement Plan 2016/17</a></p> <p><b>Contact Officer:</b> Karen Armstrong, Corporate Business and Communications Executive Officer  <b>Telephone:</b> 01352 702740  <b>E-mail:</b> Karen.armstrong@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(1) <b>Improvement Plan:</b> 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) <b>Wales Audit Office:</b> 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) <b>Risk Management</b> - the process of <b>identifying</b> risks, <b>evaluating</b> their potential consequences (<u>impact</u>) and <b>managing</b> 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>