

Meeting of:	<b>Governance and Audit Committee</b>
Date of Meeting:	<b>Monday, 17 July 2023</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Corporate Risk Register Quarter 4 Update
Purpose of Report:	To update Governance and Audit Committee on the quarter 4 position of Corporate Risks for April 2022-March 2023 contained within the Corporate Risk Register as outlined in the Corporate Risk Summary Report.
Report Owner:	Rob Thomas, Chief Executive
Responsible Officer:	Tom Bowring, Director of Corporate Resources
Elected Member and Officer Consultation:	Consultation has been undertaken with designated Corporate Risk Owners and the Strategic Leadership Team.
Policy Framework:	The proposals are within the Council's Policy Framework.
<b>Executive Summary:</b>	
<ul style="list-style-type: none"> <li>This report provides members with an overview of the Corporate Risk Register for Quarter 4 (April 2022-March 2023).</li> </ul>	

## **Recommendations**

1. Note the Quarter 4 position of corporate risks (April 2022-March 2023) outlined in the Risk Summary report (**Annex A**).
2. Refer any other comments to Cabinet for their consideration and endorsement at the meeting when Cabinet will consider a report on the Corporate Risk Register for quarter 4.

## **Reasons for Recommendations**

1. To identify the quarter 4 position of corporate risks across the Council and highlight any emerging issues and actions to be taken as outlined in **Annex A**.
2. To ensure Cabinet receives the comments of the Governance & Audit Committee when considering the quarter 4 risk position.

## **1. Background**

- 1.1 Corporate Risk is managed via the Corporate Risk Register. To supplement this, a risk analysis in the form of a Corporate Risk Summary Report (Annex A) provides a more concise way of identifying the headline issues and risk considerations. In presenting the information in this way, it enables officers and Members to be able to have a good overview of the status of risks across the Register as well as the emerging issues.

## **2. Key Issues for Consideration**

- 2.1 The Corporate Risk Summary Report (**Annex A**) provides an overview of all the corporate risks in the Register in terms of their inherent score, effectiveness of control score and residual score and provides an outline of the direction of travel for both current and forecast. It also provides a brief analysis of the emerging risk issues associated with risks on the Register.
- 2.1 There are 17 corporate risks on the Register. During the quarter 4 period, 6 risks scored high, 3 risks medium-high, 7 risks medium and the remaining 1 risk scoring a medium-low .
- 2.2 There has been some movement in risk statuses during the fourth quarter of the year. The high risk status (risk score of 12) of Project Zero risk reflects the challenging circumstances we are currently operating in. By contrast the Brexit risk has decreased to a medium status (risk score of 6).
- 2.3 In terms of forecast direction of travel, we anticipate that the Information Security, Financial Fragility, Market Fragility, Workforce, Project Zero, Demand Management and Service Capacity will continue to escalate over time.
- 2.4 We anticipate that the legislative change & local government reform, integrated health and social care and Brexit risks will continue to diminish over time. The remaining risks on the Register are forecast to remain static.

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1** Risk Management is an intrinsic part of corporate governance and integrated business planning which underpins the delivery of the Council's Corporate Plan and its Well-being Outcomes. Our Corporate Plan has been structured around the Well-being of Future Generations (Wales) Act 2015, through the development of four Well-being Outcomes and eight Well-being Objectives. By aligning our Well-being Outcomes in the Corporate Plan with the Well-being Goals of the Act, this will enable us to better evidence our contribution to the Goals.
- 3.2** Corporate Risks are considered in the context of the Well-being of Future Generations in terms of their potential impact on our ability to deliver /meet the Well-being Goals. The multi-faceted nature of risk means they have the potential to impact on how we deliver our priorities within the Corporate Plan and ultimately impact on our ability to meet/deliver on the Well-being Goals. A failure to identify the different facets of risk and mitigating actions using the five ways of working puts us in a more vulnerable position in terms of our ability to manage the risks and could significantly impact on our ability to evidence our contribution to meeting the Well-being Goals into the longer term. For example, the Welfare Reform risk cuts across five of the seven Well-being Goals in relation to a Prosperous Wales, A Resilient Wales, A Healthier Wales, A More Equal Wales and a Wales of Cohesive Communities with multiple aspects of risk associated with Welfare Reform that have the potential to impact on our ability to contribute to these Goals. For instance, the social impact of welfare reform could impact on tenant's health and their ability to heat their homes, live in good quality housing, and feed themselves which directly impacts on the Healthier Wales and Cohesive Communities Goals. Equally there is the risk that welfare reform could have a detrimental impact on citizen's finances and their ability to sustain tenancies, access employment opportunities and pay bills. Collectively these could have an impact on our ability contribute to developing a Resilient Wales, Prosperous Wales, a More Equal Wales, and Cohesive Wales Goals.
- 3.3** The five ways of working are also a key consideration in relation to our corporate risks as a key part of managing the risk involves developing a Risk Management Plan that identifies the mitigating actions that have a focus on the long term, prevention, integration, collaboration and involvement.

### **4. Climate Change and Nature Implications**

- 4.1** Within the Risk Register there is a corporate risk referred to as Project Zero. This corporate risk is defined as the failure to reduce our carbon footprint and mitigate against the impact/effects of climate change. The Project Zero risk identifies a wide range of climate change/nature related risks that are monitored and reviewed every quarter to ensure they reflect any emerging areas of risk/issues. The Project Zero risk has a Risk Management Plan that contains all risk related actions that will be undertaken during the year in order to further mitigate the associated risks and impact on climate change and the nature

emergency. These risk actions are aligned to our Service Plans and the Annual Delivery Plan, which in turn are aligned to the Council's climate change programme of work known as 'Project Zero' and the associated climate change challenges as outlined in the Climate Change Challenge Plan. Monitoring risk in this way enables us to not only assess progress being made in relation to risk activity, but to also understand its contribution to the wider Project Zero programme.

- 4.2** Monitoring the Project Zero risk also provides an opportunity throughout the year for officers to consider any further mitigating actions that will enable us to further minimise the adverse consequences of our activities.

## **5. Resources and Legal Considerations**

### **Financial**

- 5.1** Managing and reducing risks effectively helps to prevent unnecessary expenditure for the Council, reduces the potential for insurance claims and rising premiums.

### **Employment**

- 5.2** There are no direct workforce related implications associated with this report. However, there are risks contained within the Register that if not effectively managed has the potential to impact on our staff establishment. By managing these risks effectively, we are in a stronger position to offer better protection to our staff.

### **Legal (Including Equalities)**

- 5.3** Identifying, managing and reducing any risk effectively mitigates against potential legal challenge.

## **6. Background Papers**

[Corporate Risk Management Strategy](#)

## Qtr4 2022/23- Risk Summary Report Update

## Risk Scoring Definitions

## Inherent and Residual Risk Scoring

The Inherent Risk defines the risk score in a pre-control environment i.e. what the risk would look like (score) without any controls in place to manage the risk. The Residual Risk can be defined as the subsequent risk score as a consequence of applying controls to mitigate this risk.

Both inherent and residual risks are defined by two variables the Likelihood of the risk occurring and the Possible impact of that risk occurring. The higher the score allocated for the risk the higher the overall

Possible Impact or Magnitude of Risk	Catastrophic	<b>4</b> <i>MEDIUM</i>	<b>8</b> MEDIUM/HIGH	<b>12</b> HIGH	<b>16</b> VERY HIGH
	High	<b>3</b> <i>MEDIUM/LOW</i>	<b>6</b> <i>MEDIUM</i>	<b>9</b> MEDIUM/HIGH	<b>12</b> HIGH
	Medium	<b>2</b> LOW	<b>4</b> <i>MEDIUM</i>	<b>6</b> <i>MEDIUM</i>	<b>8</b> MEDIUM/HIGH
	Low	<b>1</b> VERY LOW	<b>2</b> LOW	<b>3</b> <i>MEDIUM/LOW</i>	<b>4</b> <i>MEDIUM</i>
Low 1-2 Low/Medium 3 Medium 4-6 Medium/High 8-10 High 12-16		Very Unlikely	Possible	Probable	Almost Certain
Likelihood/Probability of Risk Occurring					

risk status. See matrix below:

## Effectiveness of Controls Score

Controls can be scored 0-4 in terms of their effectiveness at controlling risk in terms of likelihood and impact. Zero implies poor control of the risk whereas a four would suggest controls in place are highly effective. This is based on scoring how effective the controls are at reducing a) the likelihood of and b) the impact of the risk. See table below

Score	Effectiveness of control
0	Very Low control of the risk
1	Low control of the risk
2	Medium control of the risk
3	High control of the risk
4	Very high control of the risk

## CORPORATE REGISTER SUMMARY

The table below provides a summary of the Corporate Risks broken down by their risk status in terms of their inherent (pre-control) risk score, the control risk score (how effectively the controls are managing the risk) and the residual risk score (post-control score). The table also gives an outline of each risk's direction travel, in terms of whether the risk is escalating or reducing as well as forecasting its future direction of travel.

Risk Ref	Risk	Inherent Risk Score	Effectiveness of Controls score	Residual Risk Score			Direction of Travel	Forecast Direction of Travel
				Likelihood	Impact	Total		
1	Financial Fragility	12 (H)	2 (M/L)	4	3	12 (H)	↔	↑
2	Legislative Change and Local Government Reform	12 (H)	2 (M/L)	2	3	6 (M)	↔	↓
3	School Reorganisation & Investment	12 (H)	2 (M/L)	3	2	6 (M)	↔	↔
4	Waste	12 (H)	2 (M/L)	4	2	8 (M/H)	↔	↔
5	Workforce Needs	12 (H)	1 (L)	4	3	12 (H)	↔	↑
6	Information Security	12 (H)	4 (M)	3	3	9 (M/H)	↑	↑
7	Project Zero	12 (H)	1 (L)	4	3	12 (H)	↑	↑
8	Cost of Living	12 (H)	1 (L)	4	3	12 (H)	↔	↔
9	Public Buildings Compliance	9 (M/H)	4 (M)	2	2	4 (M)	↔	↔
10	Safeguarding	9 (M/H)	4 (M)	2	2	4 (M)	↔	↔
11	Integrated Health and Social Care	9 (M/H)	4 (M)	3	2	6 (M)	↔	↓
12	Unauthorised Deprivation of Liberty Safeguards	9 (M/H)	6 (M)	1	3	3 (M/L)	↔	↔
13	Brexit	12 (H)	2 (M/L)	2	3	6 (M)	↓	↓
14	Additional Learning Needs	9 (M/H)	2 (M/L)	3	3	9 (M/H)	↔	↔
15	COVID-19	12 (H)	2 (M/L)	2	3	6 (M)	↔	↔
16	Market Fragility	12 (H)	1 (L)	4	3	12 (H)	↔	↑
17	Demand Management & Service Capacity	12 (H)	1 (L)	4	3	12 (H)	↔	↑

### **Risk overview**

Six risks score high, three risks score medium/high, seven risks score medium, and one risk scored medium-low on the Register. During the fourth quarter of the year, there has been some movement in risk statuses in relation to Information Security, Brexit and Project Zero.

### **Direction of Travel**

The majority of risks on the Register have maintained their static position during the period with the exception of CR6: Information Security, CR:7 Project Zero and CR13: Brexit.

### **Information Security (CR6)**

- In April 2023 the NCSC (National Cyber Security Centre), a part of GCHQ, issued an alert to critical national infrastructure (CNI) organisations warning of an emerging threat from state-aligned groups. NCSC warned in the alert that some groups have stated an intent to launch 'destructive and disruptive attacks'. The threat comes particularly from state-aligned groups sympathetic to Russia's invasion of Ukraine, the alert said, and has emerged over the past 18 months.
- As part of an array of ongoing cyber resilience activities, the Vale of Glamorgan Council follows the NCSC threat guidance and avails itself of the NCSC core ACD (Active Cyber Defence) services, including Web Check, Mail Check, PDNS and Early Warning. Given the heightened cyber threat in the UK, the information security risk is revised upwards from the previous quarter, increasing from a score of Medium (6) to a score of Medium-High (9).

### **CR7 Project Zero**

- The Project Zero risk has increased from a risk score of Medium (6) to a score of 12 giving it a high status. The status is reflective of the scale of both organisational and community change needed to reach our net zero goal by 2030. Further work is needed to maintain the momentum of the programme to ensure that we can deliver the Challenge Plan, given its vulnerability to the effects of the financial fragility risk. At a time when we are increasingly looking to make financial savings, this has the potential to impact on the viability of some of our ambitious programmes of work. Alongside ringfencing funding from reserves to support delivery of the Project Zero Programme, we are also considering potential sources of funding to ensure the Council is leveraging the funding needed alongside its revenue and capital budgets to deliver the Challenge Plan over the medium to long-term.
- The scale of the challenge to mitigate the carbon emissions generated through our supply chain is significant, and the data collected and reported to Welsh Government confirms this. Whilst we are increasingly looking to procure more locally, this will remain an area of ongoing challenge given that many of the third parties we contract with are small businesses that may lack the capacity and investment for carbon reduction.

### **CR13 Brexit**

- The risks associated with Brexit still remain reflected in the score of (6) medium). This is reflective of current threat landscape with issues such as supply chain disruption, inflationary prices and staff shortages no longer been driven by Brexit alone and being fed

by risks such as the cost of living, the war in Ukraine and the challenging economic and financial climate.

- The risk will continue to remain on the Register to ensure Senior Leadership Team, Cabinet and all Members have oversight of the risk and any future developments.

### **Forecast Direction of Travel**

During the quarter 4 period, the forecast direction of travel statuses are as follows:

#### ***Risks forecast to diminish***

- The DOT for the **legislative change and local government reform** risk is forecast to reduce. The primary focus of this risk was in the introduction of the Local Government & Elections Act and the majority of these provisions are now enacted, with this risk retaining a 'watching brief' on the way these become embedded. This risk will be reviewed on an on-going basis depending on what legislation the Welsh Government are seeking to introduce.
- The **Integrated Health and Social Care** risk is forecast to continue to maintain its downward trajectory as the focus continues to be on the development and implementation of a new 'Alliance Model.'
- **Brexit:** The direct impacts of Brexit are inextricably linked with the economic landscape in which the council is operating. It is forecast that this risk will continue to reduce in of itself, with residual issues relating directly to Brexit diminishing, whilst others – such as supply chain concerns – are being reflected in other risks on the corporate register, for example in financial fragility and market fragility (social care).

#### ***Risks forecast to escalate***

- There are six risks on the Register that we forecast will increase over the year, these are: information security, financial fragility, workforce, market fragility, demand management and service capacity, and Project Zero.
- **Information security:** This risk continues to maintain its upward trajectory. Although the Council has invested in its cyber resilience, the threat landscape continues to evolve, so requires ongoing monitoring to review and assess what further mitigations may be required.
- **Financial fragility:** The DOT is increasing following the 2023/24 budget setting round. With inflation continuing to run at significant levels, pay awards being sought, increased complexity and demand within services and the uncertainty over the public finances. Following a significant period of austerity and the pandemic, the ability to balance the budget whilst making savings and not negatively impacting service delivery will be more challenging than ever. This will require more creativity and innovation, alongside difficult decisions.
- The **Workforce risk** is forecast to increase, as it is intrinsically linked to financial and market fragility and demand management issues across the Council and consequently one impacts upon the other. For example, the significant demand being seen across social care and the lack of social care capacity in communities is continuing to compound recruitment challenges of domiciliary care staff. The rising demand for social care services is putting our budgets under additional financial pressure, which in turn impacts on the financial fragility risk.



- The **Market fragility** risk remains managed, and no further providers have experienced serious difficulty in quarter 4, however, this area remains a high risk with potential to escalate due to ongoing rising prices and challenges in recruiting and retaining staff. The Council has advised providers of its proposed fee increases for 2023/24.
- **Demand Management & Service Capacity:** Demand levels in children's services remain challenging. There has been some improvement in quarter 4 with regards to the availability of domiciliary care however the situation remains challenging and waiting times in some cases are long.
- **Project Zero:** The Project Zero Programme Board recently reviewed this risk and there was a thorough review of the content of the corporate risk and in particular the effectiveness of controls. The Project Zero Challenge Plan has brought together and instigated a huge amount of activity across the organisation. The data collected and reported to Welsh Government is indicating the scale of the challenge to meet the net zero commitments with regards the supply chain where the majority of emissions are generated. This has resulted in the residual risk score being retained at a high level, representing the scale of work required.

#### ***Risks forecast to remain static***

- **Cost of Living:** This risk relates to both the Council and the Vale of Glamorgan communities. The impact on high levels of inflation are recognised in this risk and also within the financial fragility risk, in recognition of the impact that price pressure is having on Council budgets. This has been well documented in the Council's revenue budget for the 2023/24 financial year. The Council recognises the impact of cost of living on the community and a significant amount of work is underway or been undertaken in the year, including providing payments via grant to residents, support for community groups to provide a 'warm welcome' and support for foodbanks. These efforts are making a difference to the community, however, their impact is limited within the context of significant pressure on residents' incomes. This risk has changed over the year, with initial concerns around energy price increases, social isolation issues over the winter and concerns around increasing interest rates. It is therefore forecast that this risk will retain its high risk status.
- **Covid-19:** The specific risks associated with the pandemic have diminished significantly over the last year. The Council retains responsibility for some direct covid related activity, for example in the provision of PPE. However, the risks associated with covid previously considered within this corporate risk are, like Brexit, now presenting in other areas – notably the economic landscape and therefore is reflected within the financial fragility risk on the register.
- **Unauthorised Deprivation of Liberty Safeguards (DoLS):** The medium-low risk status ((risk score of 3) attributed is reflective of a managed risk. However, adhering to DoLS continues to place pressure on Social Services in terms of officer workload/capacity and budgets.
- **Additional Learning Needs (ALN):** The risk retains a medium-high status reflective of the challenges faced in implementing the new duties associated with the Act, in particular, developing sufficient provision to meet demand in growth areas. These relate to children and young people with complex autism, physical and medical difficulties and those experiencing social and emotional health difficulties. This presents an ongoing challenge.
- **Public Building Compliance:** A risk status of medium (risk score of 4) remains in relation to our arrangements for the management of compliance and compliance data for our corporate building stock. Regular compliance updates considered by the Strategic Insight Board, Strategic Leadership Team and Schools Operational Investment Board, ensuring appropriate mitigations are in place.
- The **Waste** risk retains a medium-high status (risk score of 8) which reflects the challenges associated with the roll out of the waste blueprint.

- **School Reorganisation and Investment:** this risk retains a medium status (risk score of 6). The economic uncertainty, Brexit, the ongoing war in Ukraine continue to present challenges that is impacting our ability to deliver some aspects of the Sustainable Communities for Learning Investment Programme.