Agenda Item: 7

Meeting of:	**Governance and Audit Committee**
Date of Meeting:	**Monday, 18 September 2023**
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Corporate Risk Register Qt1 Update
Purpose of Report:	To update Governance and Audit Committee on the quarter 1 position of Corporate Risks for April 2023-June 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.

Executive Summary:

- This report provides members with an overview of the Corporate Risk Register for Quarter 1 (April 2023-June 2023).

Recommendations

1. Note the Quarter 1 position of corporate risks (April 2023-June 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 1.

Reasons for Recommendations

1. To identify the quarter 1 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 1 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.

2.2 There are 17 corporate risks on the Register. Five risks score high, four risks score medium/high, seven risks score medium, and one risk scored medium-low on the Register.

2.3 During the 1st quarter of the year, all risks on the Register have maintained their static position during the period, with the exception of Market fragility which has reduced from high (risk score of 12) to medium-high (risk score of 9).

2.4 The residual risk score for the Market fragility risk has reduced to reflect the significant improvement in the Domiciliary care market. The additional uplift in hourly funding that the Local Authority agreed to provide to the residential care (12%) and Domiciliary care market in quarter 4 of 2022/23 has been a significant supportive factor in helping to provide some stability to very fragile markets. Without this additional investment, there is a strong chance that providers would have exited the market. Furthermore, there have been a number of new domiciliary care providers that have joined the market and an increase in overseas recruitment by these agencies. We have also continued to expand the roll out of the ‘Your Choice Scheme’. These actions have enabled us to significantly reduce the number of packages of care that are waiting to be placed.

2.5 In terms of forecast direction of travel, we anticipate that the Financial Fragility, Workforce and Project Zero risks will continue to escalate over time.

2.6 In relation to Project Zero, following consideration of the status of this risk by the Governance and Audit Committee at Q4, Cabinet considered the residual risk status of very high in the context of the Committee’s discussion as to whether this risk score is catastrophic. The Project Zero Board is due to meet later this month to consider the inherent risk and controls in place for this risk which will be fed back to this committee in the next quarter’s risk update. The timing of this review of the risk has been scheduled as the Council’s draft return to the Welsh Government on carbon emissions is also on the agenda and will inform discussions based on the data available.

2.7 We anticipate that the legislative change and local government reform risk 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

ANNEX A

Qtr1 2023/24 - 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 risk status. See matrix below:

Possible Impact or Magnitude of Risk					
	Catastrophic	**4** ***MEDIUM***	**8** **MEDIUM/HIGH**	**12** **HIGH**	**16** **VERY HIGH**
	High	**3** ***MEDIUM/LOW***	***6*** ***MEDIUM***	**9** **MEDIUM/HIGH**	**12** **HIGH**
	Medium	**2** **LOW**	**4** ***MEDIUM***	***6*** ***MEDIUM***	**8** **MEDIUM/HIGH**
	Low	**1** **VERY LOW**	**2** **LOW**	**3** ***MEDIUM/LOW***	***4*** ***MEDIUM***
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			

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)	2 (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)	2 (M/L)	3	3	**9 (M/H)**	↓	↔
17	Demand Management & Service Capacity	12 (H)	1 (L)	4	3	**12 (H)**	↔	↔

Risk overview

Five risks score high, four risks score medium/high, seven risks score medium, and one risk scored medium-low on the Register. During the 1st quarter of the year, there has been movement in the Market fragility risk status on the Register.

Direction of Travel

All risks on the Register have maintained their static position during the period, with the exception of Market fragility which has reduced from high (risk score of 12) to medium-high (risk score of 9).

Forecast Direction of Travel

During the quarter 1 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 on 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.

Risks forecast to escalate

- There are three risks on the Register that we forecast will increase over the year these are: Financial fragility, Workforce, and Project Zero.

- **Financial fragility:** The Council is currently giving consideration to the revenue budget for 2024/25, but given the economic landscape currently, it is considered that this risk will continue to increase in the medium term as financial settlements and pressures on Council budgets continue to experience significant pressure, with demand for Council services also increasing. SLT have recently met to review outline cost pressures within services, with a view to an update report being presented to elected members in the late autumn as savings proposals are also identified.
- 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.
- **Project Zero:** Following consideration of the status of this risk by the Governance and Audit Committee, Cabinet considered the residual risk status of very high in the context of the Committee's discussion as to whether this risk score is catastrophic. The Project Zero Board is due to meet later this month to consider the inherent risk and controls in place for this risk. The timing of this review of the risk has been scheduled as the Council's draft return to WG on carbon emissions is also on the agenda and will inform discussions based on the data available.

Risks forecast to remain static

- **Brexit:** Following consideration by the Governance & Audit Committee at Q4, Cabinet considered the potential to remove Brexit as a risk in of itself from the register. In conclusion, Cabinet have considered it prudent to retain Brexit for Q1 and a further review will be undertaken during Q2. Whilst the various impacts that are being experienced as a result of Brexit are now being seen within other risks on the register (for example, financial fragility, market fragility and demand management & service capacity, a watching brief on the risk will continue. The risk retains its current status of medium (risk score of 6).
- **Unauthorised Deprivation of Liberty Safeguards (DoLS):** No change to risk status and scores (risk score of 3), with forecast direction set to remain static. Whilst the additional funding that Welsh Government and the other partnership members have put into DoLs has been a supportive factor, the team is still not able to co-ordinate DoLs within statutory timescales which places the Council at risk of challenge in the Court of Protection. We continue to monitor and review the position of DoLs and backlogs and where necessary take action. There has been continued funding for the 2023/24 period to address the build-up in cases that assists us in reducing backlogs across the partnership. Our ability to meet the demand will be significantly compromised if additional funding is not available beyond 2023/24. We continue to monitor and review the position of DoLs and backlogs and where necessary take action.
- **Covid-19:** A review of the Covid-19 risk has been undertaken during Q1. Whilst Covid is now being managed alongside other communicable diseases in Wales and the risk from the pandemic in public health terms has decreased, there has recently been an increase in infections and with the autumn and winter approaching it is felt prudent to retain this risk during the quarter. Colleagues will continue to monitor this risk and consider whether the risk should be retained in its own right, or if it could potentially be considered within other risks such as the financial fragility risk. This risk retains a medium status (risk score of 6.)
- **Additional Learning Needs (ALN):** The risk retains a medium-high status (risk score of 9) reflective of the challenges faced in implementing the new duties associated with the Act which has placed new statutory duties on schools and local authorities. This had led to significant increases in demand with resulting capacity issues on central services, schools and specialist provision. All of these risks were identified from the outset and robust mitigating actions are in place to address areas of known need. However, as the implementation of the Act progresses, additional unforeseen consequences are starting to emerge which will require careful monitoring.
- **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 potential challenges associated with new legislation being introduced in April 2024 and the next round of statutory recycling targets which will become effective from 1st April 2024. We have completed the roll out of the collections blueprint (introducing separated collections across the Vale) and completed the construction of our new Waste Transfer Station. The forecast direction of travel remains static for the next quarter.

- **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. This is being monitored across the programme.
- The **Market fragility** risk has reduced from high (risk score of 12) to medium-high (risk score of 9). From this altered position the forecast is for the risk to remain static. The likelihood score has reduced to reflect the significant improvement in the Domiciliary care market. The additional uplift in hourly funding that the Local Authority agreed to provide to the residential care (12%) and Domiciliary care market in quarter 4 of 2022/23 has been a significant supportive factor in helping to provide some stability to very fragile markets. Without this additional investment, there is a strong chance that providers would have exited the market. There have been a number of new domiciliary care providers that have joined the market and an increase in overseas recruitment by these agencies. We have also continued to expand the roll out of the 'Your Choice Scheme'. These actions have allowed us to significantly reduce the number of packages of care that are waiting to be placed. During Quarter 1, we have held the number of packages of care needing to be placed at under 30.

  Adult residential care home occupancy numbers have also steadily increased, there have been no more provider closures, and a new provider based in the Vale of Glamorgan is due to come to the market later this year. However, it should be noted that this improvement in the adult care market has come from a vulnerable position. The market should still be considered as fragile. The actions undertaken by the Council have helped to improve the position, but with winter pressures approaching sustaining this position will be a challenge that we will have to continue to focus on.

  The recruitment of in house foster carers remains an area of focus for Children & Young People's Services (CYPS). Despite targeted recruitment, an ageing foster care population combined with the increasing numbers of Children Looked After (CLA) means that we continue to have to utilise independent fostering agency carers. Considerable progress has been made in us developing children's residential care provision with not-for-profit providers in the third sector. The first two homes are due to go live later in the year. This will enable us to ensure where appropriate that CLA who require residential care can reside within the Vale of Glamorgan.
- **Demand Management and Service Capacity**: No change to risk scores with the forecast set to remain static although not in all areas of social care. Overall, there continues to be insufficient social care capacity to meet the significant growth in demand for social care services. The social care system remains under significant pressure due to continued rising demand. Within CYPS there continues to be an increasing number of families presenting with complex needs. Numbers of Children Looked After (CLA) have steadily increased and numbers of children on the Child Protection Register remain high. The effects of the pandemic combined with the cost-of-living crisis and a better understanding of the public and professionals of what would constitute a child protection concern are all factors. Demand for placements for CLA continues to exceed availability meaning the sector remains reliant on placements within the independent sector.

Within Adult Services, meeting the demands of an ageing population who often present with chronic conditions in a climate of increasing costs continues to present a myriad of challenges. The trend is one of increasing complexity of need, leading to more intensive case work over longer periods of time and more complex packages of care. Despite these challenges, we are still maintaining the strategic objective of supporting people at home where possible.

Workforce continues to be an area of vulnerability particularly but not confined to areas of Children's Social Work, residential, nursing and domiciliary care. Recruiting and retaining staff in these areas is challenging and can lead to shortages within key areas. The Fast Track to Care Scheme and our work around international recruitment has supported us to recruit staff to work in our care homes. However, we still have significant shortages and are reliant on agency and relief staff.

We have also continued to support our 'grow your own' scheme to enable practitioners to undertake training to become a Social Worker. The risk remains that shortages will impact on our ability to deliver statutory services. However, this is a medium-term strategy as it would take a Social Care Officer 3 years to qualify as a Social Worker. One area that has been highly vulnerable where we have seen improvements is the domiciliary care market. A number of new providers have joined the market, this has allowed us to significantly reduce the waiting lists for placing packages of care.

- **Safeguarding**: No change to risk scores with forecast direction set to remain static. Within Social Services, safeguarding referrals in respect of children and adults continues to be high. This has been most significantly felt within CYPS where it has been difficult to recruit and retain staff while demand has increased. We currently utilise agency Social Workers on temporary contracts to support us with this growing demand.
- **Integrated Health & Social Care:** No change in the medium risk status (risk score of 6) with forecast direction set to remain static. The integrated Vale Community Resource Service and the pan-cluster planning groups remain active and in place. Workshops are being planned in both areas to agree the next stages of development.
- **Cost of Living:** This risk relates to both the Council and the Vale of Glamorgan communities. The impact of 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. The Council recognises the impact of cost of living on the community and work continues to be undertaken to support our communities, including 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 continued to evolve, with ongoing concerns around energy price increases, the rising cost of consumables, increasing interest rates and social isolation issues over the coming winter. It is therefore forecast that this risk will retain its high risk status (risk score of 12). Our positive progress with current mitigating actions means the forecast direction of travel for this risk is set to remain static.
- The residual risk score for **Information Management** is unchanged following the increase in the last Qtr. 4 update to a Medium-high status (risk score of 9). The UK cyber threat risk remains heightened with the continuing conflict in Ukraine impacting the

cyber threat landscape. The forecast direction of travel for this risk is static over the next quarter.

In response to the MOVEit platform vulnerability, ICT was notified of the MOVEit vulnerability by the Welsh Government Cyber Resilience Team on the 8th June 2023 and asked to confirm whether the Vale of Glamorgan Council used any software which used this file transfer utility. We were also contacted as part of the South Wales WARP group, which we are a member of along with information and IT Security colleagues in the 22 Welsh LAs. Vale ICT Application Team colleagues confirmed that Vale used a cloud based version of this utility ‘MOVEit Cloud’. The supplier confirmed that the cloud version used by Vale and other customers had been patched and was not affected by the originally reported vulnerability (Ref CVE-2023-34362). The Welsh Government Cyber Resilience Team and WARP group were informed that Vale was not affected, before the requested deadline of 12th June 2023. The company - Progress - subsequently partnered with a Cyber Security specialist to complete a code review of all MOVEit products, including MOVEit Cloud. While additional vulnerabilities were found in MOVEit Cloud, these were immediately patched by the company and there was no evidence that these vulnerabilities had been exploited.