Agenda Item: 4

Meeting of:	**Governance and Audit Committee**
Date of Meeting:	**Monday, 05 February 2024**
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Corporate Risk Register Qt2 Update
Purpose of Report:	To update Governance and Audit Committee on the quarter 2 position of Corporate Risks for April 2023-September 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, Strategic Insight Board, 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 2 (April 2023-September 2023).

Recommendations

1. Note the Quarter 2 position of corporate risks (April 2023-September 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 2.

Reasons for Recommendations

1. To identify the quarter 2 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 2 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, five risks score medium/high, six risks score medium, and one risk scored medium-low on the Register

2.3 During the 2nd quarter of the year, all risks on the Register have maintained their static position during the period, with the exception of School Reorganisation & Investment which has increased from medium (risk score of 6) to medium-high (risk score of 9).

2.4 The School Reorganisation and Investment risk has increased from a medium (risk score of 6) to medium-high (risk score of 9). The increasing costs of materials and resources have led to an increased market cost of delivering projects and investing in schools. These factors are outside of the Council's control which have rendered the controls that are in place less effective at mitigating the risk. Therefore, the impact of the cost increases will be more greatly felt. The forecast risk is set to remain static from this position.

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

2.6 In relation to Project Zero, following consideration of the risk scores by Project Zero Board, the risk has remained at its current level of 12 (high). However, the risk is forecasted to increase due to the impact of cost pressures affecting both capacity and resources available to implement the Climate Change Challenge Plan to effect change and mitigate against the impact of climate change

2.7 We anticipate that the legislative change and local government reform, Brexit and Covid-19 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

[Corporate Risk Templates]

Qtr2 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

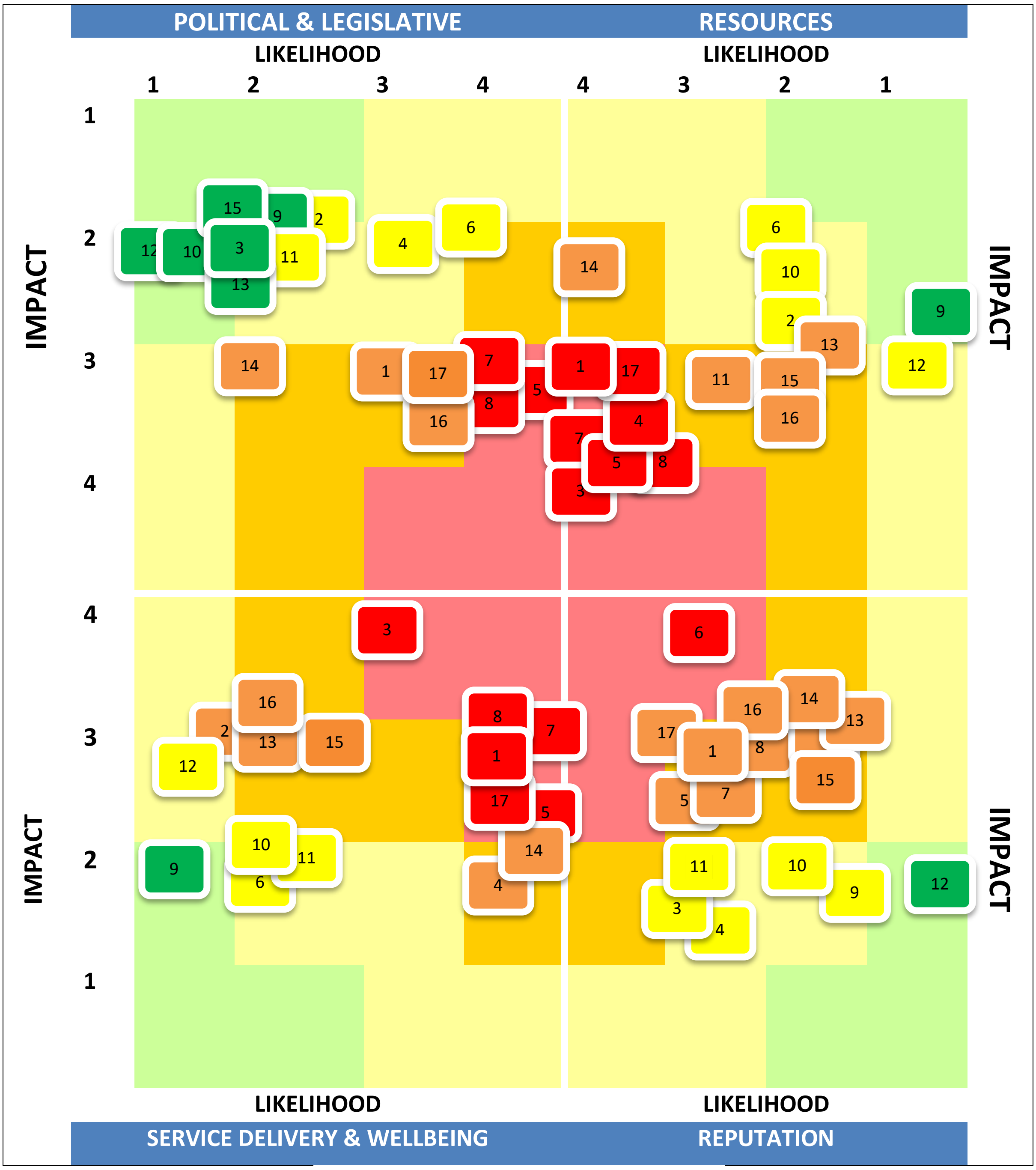
CORPORATE REGISTER SUMMARY

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

THEMATIC RISK HEAT MAP

This heat map groups risk scores by the thematics of political and legislative, resources, service delivery and wellbeing and reputation.



LIKELIHOOD

Risk Reference Glossary							
1	Financial fragility	6	Information Security	11	Integrated health & Social Care	16	Market Fragility
2	Legislative Change & Reform	7	Project Zero	12	Deprivation of Liberty	17	Demand Management

3	School reorganisation & investment	8	Cost of Living	13	Brexit	
4	Waste	9	Buildings compliance	14	Additional Learning Needs	
5	Workforce Needs	10	Safeguarding	15	Covid-19	

Risk overview

Five risks score high, five risks score medium/high, six risks score medium, and one risk scored medium-low on the Register. During the 2nd quarter of the year, there has been movement in the School Reorganisation & Investment 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 School Reorganisation & Investment which has increased from medium (risk score of 6) to medium-high (risk score of 9).

Forecast Direction of Travel

During the quarter 2 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. As there is new statutory guidance on a number of remaining facets of the legislation, the working group continue to meet to review the remaining progress. This risk will be reviewed on an on-going basis depending on what legislation the Welsh Government are seeking to introduce.
- **Brexit:** The DOT for the Brexit risk is forecasted to reduce. A watching brief remains on this as cabinet have requested, in order to ensure that any residual impacts of Brexit can be monitored. The risk specifically for Brexit has been diminishing over the year, and the impacts of Brexit are now closely entwined with the general economic picture of the UK. 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).
- **Covid-19:** The risk associated with Covid-19 is forecasted to diminish, however there are still some areas of the Council's activity which are particularly impacted by Covid, for example some operations in social services. The council will maintain a watching brief and continue to contribute to partnership arrangements that are seeing Covid-19 being managed alongside other Communicable Diseases. This risk retains a medium status (risk score of 6.)

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 considering 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. There has been positive delivery of the Savings Programme during 2023/24 but as well as the persistent inflation the long-term impact of Covid is starting to emerge with some force. It has been necessary to have a very robust review of the pressures, and this has seen them managed/mitigated back to £20.8M leaving a savings target of £11.1M notwithstanding an ongoing review of the pressures.
- 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 risk scores by Project Zero Board, the risk has remained at its current level of 12 (high). However, the risk is forecasted to increase due to the impact of cost pressures affecting both capacity and resources available to implement the Climate Change Challenge Plan to effect change and mitigate against the impact of climate change

Risks forecast to remain static

- **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 a significant decrease in the backlog year on year, but we are still falling short of meeting timescales. 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.
- **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 has increased from a medium (risk score of 6) to medium-high (risk score of 9). The increasing costs of materials and resources have led to an increased market cost of delivering projects and investing in schools. These factors are outside of the Council's control which have rendered the controls that are in place less effective at mitigating the risk. Therefore, the impact of the cost increases will be more greatly felt. The forecast is set to remain static from this position
- The **Market fragility** risk has remained static for this Quarter after reducing from a high (risk score of 12) to medium-high (risk score of 9) in Quarter 1. From this position the forecast is for the risk to remain static. The market stabilised during Q1 and Q2, so that no major providers of social care failed during this time. This stability has brought the risk down for present as there is no immediate concern that providers will fail. There is now a decreased likelihood of a market collapse due to the stabilisation of providers that has been witnessed in Q1 and Q2.
- **Demand Management and Service Capacity**: There has been no change to risk scores retaining a high (risk score of 12) with the forecast set to remain static although not in all areas of social care. The key aspects of this risk can be defined as insufficient social care capacity to meet the significant growth in demand for social care services and with that increasing cost pressures. This is not just in the context of the volume of demand, but also the severity and complexity of need.
  There are increasing numbers of children and young people and their families and adults that are presenting with more complex needs. Similarly, there is an increasing ageing population in the Vale of Glamorgan.
  A key risk factor driving service capacity is the workforce pressures we face. In keeping with the national picture, the Vale of Glamorgan's Social Services is experiencing higher staff turnover/shortages and difficulties within recruiting and retaining social workers.
- **Safeguarding**: There has been no change to the risk scores retaining a medium (risk score of 4) with forecast direction set to remain static. Of concern is the impact that the pandemic has had on children and young people at risk of abuse and or child sexual exploitation. Although, services adapted their processes to operate digitally, it does not replace the benefit of regular face to face contact when it comes to safeguarding matters. Subsequently the impact and aftermath of lock downs has increased demand for our children and young people services.
- **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:** There has been no change to this risk score retaining a high (risk score of 12) with the forecast direction of travel to remain static. Cost of living refers to the fall in people's disposable incomes after considering inflation, taxation, and benefits. Despite the packages of support which have been announced, there are fears that in

light of worsening financial situation, this will not be enough to support those most vulnerable to the effects of rising inflation. A key element of risk is the inability to effectively target our resources to reach those most in need and in particular to identify any areas of unmet need. It is likely that this will put additional demand upon our services at a time when our resources are already being stretched. The Council is also vulnerable to rising cost pressures associated with inflation. Consequently, there is a risk to the Council's ability to maintain levels of service delivery and has the potential to disrupt our ability to achieve our wellbeing objectives and key priorities as a council.

- **Information Security:** The forecast direction of travel remains the same (static) as does the overall inherent risk score from the last two quarters of 9 (M/H).
  Ransomware remains the number one cyber security threat in the UK and the NCSC's cyber security threat rating for the UK remains high in the context of Ukraine, Russia, and Middle East conflicts.

  The threat from cyber-attacks is ever present and attacks are becoming more sophisticated with potential for greater impact. Our security controls to mitigate these risks need to keep pace with the changing threat landscape and the Council has invested in specialist ransomware protection software to mitigate this specific risk. The introduction of 365 has brought many benefits but also increased governance and cyber security risks which must be managed.