

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

29 SEPTEMBER 2016

REPORT OF HEAD OF FINANCE

THE CORPORATE RISK ASSESSMENT 2016-17

1. Purpose of Report.

- 1.1 The Audit Committee oversees risk management within the Council. The purpose of this report is to inform the Audit Committee of amendments to the 2016-17 Corporate Risk Assessment which have arisen out of the review undertaken in July 2016.

2. Connection to Corporate Plan / Other Corporate Priority

- 2.1 Effective risk management is an essential part of the framework for ensuring good corporate governance and supports delivery of the Council's Corporate Improvement Priorities.

3. Background.

- 3.1 Good governance requires the Council to develop effective risk management processes, including an assessment of corporate risks.
- 3.2 The Audit Committee's Terms of Reference require the Committee to review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements.
- 3.3 The 2016-17 Corporate Risk Assessment was approved by Council on 10 March 2016 and is fully aligned with the Council's Medium Term Financial Strategy and Corporate Plan. The version of the Corporate Risk Assessment shown in Appendix 2 footnotes the links with the Corporate Plan.
- 3.4 In accordance with the Council's Corporate Risk Management Policy, it is a requirement that the Corporate Risk Assessment is considered and reviewed by Senior Management Team (SMT), Cabinet and Audit Committee, and is one of the components reviewed as part of the Council's quarterly Corporate Performance Assessment framework.

4. Current situation / proposal.

- 4.1 The Corporate Risk Assessment has been reviewed by SMT and the updated document is attached as Appendix 1. It identifies the main risks facing the Council, the likely impact of these on Council services and the wider County Borough, what is being done to manage the risks and allocates responsibility for the Council's response.

4.2 The Council has also contacted other South Wales Local Authorities to ascertain what risks appear in their registers. Following this exercise a risk entitled “Compliance with the Welsh Language Standards” was added. In addition comments have been added concerning digital transformation and the Local Development Plan to other risks .

4.3 The principal changes made in July 2016 were as follows:

- **Making the cultural change necessary to deliver the Medium Term Financial Strategy**

The risk description has been changed to include some of the unavoidable pressures on the MTFFS such as national agreements on pay, including the National Living Wage, the requirement to protect school budgets and pressures within Social Services. It notes that the Welsh Government (WG) Minister has given no indication of funding levels for 2017-18 and that there is a high degree of uncertainty because following the result of the EU Referendum the UK Chancellor has announced that the target of being in budget surplus by 2020 is unrealistic. There is great uncertainty about how these factors will impact WG funding.

The risk mitigation measures have been changed and note that the Council is looking to strengthen its financial resilience by increasing its reserve to the Welsh average of 2.7% by the end of the MTFFS period. Also the significance of the IT Strategy is highlighted as it prioritises the delivery of agility with more staff working remotely and the future transformational shift towards digital access to services and the digitisation of our most common internal processes.

Other changes include the procurement process being restructured with the Council closely monitoring its corporate contracts register. Additionally, Council has agreed a corporate income generation policy which is based on the principal that the Council will seek to recover the full cost of the service unless there is a conscious decision which is consistent with Council priorities.

The risk impact and risk score are unchanged.

- **Supporting Vulnerable Adults**

The title of the risk has been changed from “Supporting vulnerable people” to “Supporting vulnerable adults” to better differentiate itself from the “Supporting vulnerable children, young people and their families” risk.

The risk description has been updated noting that the Welsh Community Care Information System is being used but that there will be challenges as other organisations start using the system. Other factors have been added, including an increase in safeguarding activity such as the Deprivation of Liberty Standards and the risk of significant increases in the cost of external contracts as a result of the implementation of the National Living Wage from April 2016.

The risk mitigation measures include the Social Services and Wellbeing (Wales) Act 2014. This was implemented in April 2016 and is overseen by a project group. It has required significant work with managers and practitioners to map out the new

requirements and integrate them into practice tools together with the new Welsh Community Care Information System which is being rolled out at the same time. In support of the Councils responsibilities under the Act the risk mitigation measures include an extensive programme of training and the Valuing Carers Compact.

Other changes include confirmation that sites have been identified for the two Extra Care homes; the recruitment and training of existing staff to be Best Interest Assessors and that a provision, based on assumptions, for the National Living Wage is being made in the MTFs.

The risk impact and score remain unchanged.

- **Supporting Vulnerable Children, Young People and Their Families**

The risk description has been changed to note that a significant proportion of funding for work with vulnerable children, young people and their families is via external grants. These may come under threat at a time when budgets are already stretched and when there are increased demands on safeguarding activity, for example, Child Sexual Exploitation, missing children, Looked After Children and Children in Need.

The risk impact notes that at March 2016 there were 380 Looked After Children and that the number has shown a steady decrease, but has now plateaued.

The risk mitigation measures now include the desire to reduce demand by investing in early help and intervention programmes and the development of services which will help children transition into adulthood. A Remodeling Board has been established which will oversee the planning of new models of service delivery that provide flexible support to people when they need it. They also advise that the continuing delivery of the Social Services and Wellbeing (Wales) Act 2014 and the Welsh Community Care Information System are being driven by a project group. In addition the Council will develop appropriate mechanisms to provide good information, advice and assistance. This includes Dewis Cymru, the all Wales information and advice website and services in support of Carers.

The risk score has increased from 16 to 20 because of the reliance on grant funding.

- **Welfare Reform**

The risk impact has been changed to note that an additional 120 households will be affected by the reduction from £23,000 to £20,000 in the total benefit a working age person can receive. The impact has also been changed because Disability Living Allowance is being replaced by Personal Independence Payments. This will impact a significant number of residents as amounts paid might be different and there is the possibility of delays, particularly through the appeals process. Also The UK Government had intended to bring Housing Benefit for social housing tenants in line with private sector local housing allowance rates from 1 April 2017. This would have impacted on all supported accommodation and some Registered Social Landlords elsewhere were already cancelling or postponing Extra Care housing schemes. However, following pressure from Registered Social Landlords, Ministers

have offered full exemption to supported housing until a long term solution is devised.

The risk mitigation measures have been amended and now note that the Head of Finance has initiated and chairs a welfare reform cross functional working group. The aim of the group is to proactively identify and implement measures which will mitigate the impact on citizens. Also with regards to Housing Benefit for Extra Care residents, Registered Social Landlords and Councils are seeking to influence the way that any changes to Housing Benefit are implemented.

The risk description and score remain unchanged.

- **Local Government Reorganisation**

There is a risk that continuing uncertainty about future structures will slow down the pace of transformative change which is required now to deliver services within reduced budgets.

The risk description has been changed to note that the results of the WG elections have made the future direction of Local Government Reorganisation uncertain. The new WG Minister has advised that the previous plans to cut 22 Councils to eight or nine will not be pursued. WG have not yet proposed a particular solution but are considering the way forward and want to have a new plan drawn up by the autumn of 2016.

The risk impact notes that with any delay to Local Government Reorganisation there is now a greater incentive to reconfigure public services on the basis of partnerships and regional collaborative models.

The risk mitigation measures note that whilst uncertainty remains, the Council will continue to focus on delivering services to the public within the MTFs. An important part of this will be its collaboration with a range of partners on a pragmatic basis.

The inherent risk score has reduced from 24 to 20 and the residual risk score from 20 to 16. This is because if Local Government Reorganisation is delayed there will be greater incentive to transform services through collaboration across different boundaries.

- **The Economic Climate and Austerity**

The risk description has been changed because following the EU Referendum there is greater uncertainty about the impact on resources. Bridgend County Borough receives significant levels of EU funding. Current programmes run to the 2020-21 financial year and there is approved funding of £4.926m. In addition there are also further grant applications of up to £18m at various stages of development. Outside of the EU there is less certainty that these sums will be forthcoming from UK Government or WG. In addition there is a greater risk of general economic downturn following the vote to leave the EU. If the economy is less buoyant the Local Development Plan (LDP) may come under pressure because certain available sites are less attractive to housing developers.

The risk impact has been amended to note that the delivery of housing was on track in 2015 but will slip behind target in 2016. If the LDP fails housing developers may come forward with alternative projects on sensitive sites which may escalate to appeal.

The risk mitigation measures have been changed to note that parts of the Parc Afon Ewenni development scheme will become available for housing development. Also the Smart System and Heat project is in a development stage and will put Bridgend at the forefront of emerging technology but key decisions must be made about project delivery. With regards to developments in Porthcawl, a new masterplan is being produced in support of phase 1 of the Seven Bays Project.

The risk mitigation measures also make reference to the Cardiff Capital Region securing a City Deal worth £1.28bn. This will allow Councils and partners to unlock significant growth across the Cardiff Capital Region. The City Deal will provide an opportunity to continue tackling the area's barriers to economic growth by improving transport connectivity, increasing skills levels still further, supporting people into work and giving businesses the support they need to innovate and grow.

The risk score remains unchanged.

- **Disposing of Waste**

The risk description has been amended to reflect that whilst timescales are tight a new service is expected to commence in April 2017.

The risk mitigation measures have been changed to say that a procurement process has commenced and the desired outcome will enable the Council to meet the targets set by WG in their policy document "Towards Zero Waste". There will be a two bag restriction on residual waste and waste going to Household Recycling Centres will need to be pre-sorted. An absorbent hygienic products collection will also be introduced. In the longer term more resource will be needed to publicise and enforce the new schemes.

The procurement of a more permanent Anaerobic Digestion contract has commenced and tenders are being evaluated together with WG. With regards to MREC, a tender was let to allow an operator to provide residual waste handling facilities. The results and their implications are being considered.

The risk impact and score remains unchanged.

- **Equal pay**

The Equal Pay risk remains unchanged.

- **Healthy Lifestyles**

The risk mitigation measures have been updated to include a range of encouraging indicators. These include a reduction in the numbers of obese and overweight people, increasing numbers of visits to leisure facilities and an increased participation in both school and club based sport by children.

The risk description, impact and score remain unchanged.

- **Maintaining Infrastructure**

The risk mitigation measures note that following consultation, the MTFS budget reduction proposal for highways maintenance was reduced by £500,000 from the £1,207,000 consulted on. The mitigation measures also note that decisions about the condition of the Highways can be made objectively because of the use of digital scanning equipment.

The risk description, impact and score remain unchanged.

- **Educational Provision**

The risk mitigation measures have been updated to note the different work streams under the strategic review of education. Also the council has published its Welsh Education Strategic Plan and is evaluating a range of opportunities for the provision of Welsh medium education.

The risk description and impact remain unchanged.

The risk score has increased from 12 to 16 because of the difficulty in making the changes that come out of the strategy review.

- **The impact of homelessness**

The risk description has been changed. This is because homelessness may increase due to the current economic climate and ongoing austerity measures at a time when the service itself is coming under increasing pressure because of its reliance on grant funding which is now subject to greater uncertainty. It is also noted that the Council has been able to provide interim accommodation for former Prisoners under WG transitional funding however this is not a long term solution so the impact on repeated presentation and street homelessness cannot be quantified at this point.

The risk impact has been amended to note that any reduction in the WG grant for the Supporting People Programme might impact on the ability to sustain tenancies and increase repeat homelessness.

The risk mitigation measures note that Communities First have commissioned the Citizens Advice Bureau to provide advice on financial inclusion.

The risk score remains unchanged.

- **Ineffective collaboration with partners**

The risk title has been changed from collaboration with partners to ineffective collaboration with partners in order to highlight that the risk is not that the Council works with other organisations, but rather that this might not be done well.

The risk impact has been changed because staff working within Regulatory Services have now all transferred to the Vale of Glamorgan Council, as host employers for the newly formed Shared Service. As the service covers a larger area, line of sight must not be lost to local delivery.

The risk description, mitigation measures and score remain unchanged.

- **Educational Attainment**

The risk mitigation measures have been updated to reflect both the appointment of additional Governors and that the Council is undertaking a skills audit to identify Governors' training needs.

The risk description, impact and score remain unchanged.

- **Health and Safety**

The risk description has been changed because staff restructures have resulted in a reduction in the number of experienced supervisory staff and this means that there is an increased risk that opportunities to improve health and safety practice may be missed. The risk description has also been changed to include a reference to the higher fines under the new sentencing guidelines.

The risk mitigation measures note that the Directorate Risk Registers will be reviewed to ensure that they reflect the risk profiles of the new Directorate structure and that an additional two year post has been created within the Health and Safety team. This person will inspect and audit higher risk services and coach and mentor managers so that the delivery of health and safety is sustainable.

In addition capital bids will support the addressing of health and safety issues on a dynamic basis. For example: £500,000 is committed to the Maesteg School parent drop-off and a further £500,000 is committed to supporting highways improvement work around schools.

The risk impact remains unchanged.

The inherent risk score has been increased to 24 to reflect the reduction in the number of experienced staff. The residual score after the application of risk mitigation measures remains unchanged.

- **School Modernisation**

The risk mitigation measures have been updated because a strategy to utilise the mobile classrooms at Betws Primary school to support other schools is being developed from the summer of 2017.

The risk description, impact and score remain unchanged.

- **Welsh Language Standards (WLS)**

A new risk has been added in respect of WLS. If the council has to comply with the Welsh Language Standards which it has appealed, there will be additional pressure on the MTFS 2016-17 to 2019-20. There is also an ongoing strain on management capacity as the time taken to work through these issues is considerable and is taken away from the management of core services.

The risk mitigation measures include a budget pressure, arising from the implementation of WLS, being recognised in the MTFS 2016-17 to 2019-20. Should the appeals not be successful the council will meet the additional costs in the short term from the corporate contingency or Council Fund until such time as recurrent funding is identified from budget reductions elsewhere or Council Tax increases.

Should the Welsh Language Commissioner determine that it is not unreasonable or disproportionate to comply with the standards that have been appealed then there is a further right of appeal to the Welsh Language Tribunal. Following a determination by the Tribunal, the Commissioner or council can appeal to the High Court on a point of law only. During the appeals process the council is not required to comply with those standards under appeal.

The risk has a score of 12.

5. Effect upon Policy Framework & Procedure Rules.

5.1 None as a direct consequence of this report.

6. Equality Impact Assessment

6.1 Equality issues permeate many of the risks identified and where appropriate equality impact assessments are undertaken within the process of approving the mitigating actions.

7. Financial Implications.

7.1 There are no financial implications directly associated with the risk assessment. Actions planned to mitigate each risk are required to be progressed within approved budgets.

8. Recommendation.

- 8.1 That Members consider the changes to the Corporate Risk Assessment that have been made and receive a further report in January 2017 concerning the 2016-17 Corporate Risk Assessment and review of the Risk Management Policy.

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Background documents

None