

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 SEPTEMBER 2017

REPORT OF THE HEAD OF FINANCE

THE CORPORATE RISK ASSESSMENT 2017-18

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 2017-18 Corporate Risk Assessment which have arisen out of the review undertaken in July 2017 and certain other changes to risks that have been made subsequently.

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 2017-18 Corporate Risk Assessment was approved by Council on 1 March 2017 and is fully aligned with the Council's Medium Term Financial Strategy and 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 the Council's services and the wider County Borough, what

is being done to manage the risks and allocates responsibility for the Council's response. Since it was reviewed by SMT the Medium Term Financial Strategy, Waste, Educational Attainment, Local Government Reorganisation and Collaboration risks have been updated to reflect important changes. In addition the risk assessment also incorporates a new risk in relation to an unfunded NJC pay claim for 2018-2019. **Appendix 2** is a version of the Corporate Risk Assessment which demonstrates, via footnotes, the links with the Corporate Plan.

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

The risk description has been changed to reflect the overall budget reduction of £5.852 million and the “most likely” requirement to reduce budgets by more than £35 million over the next four years. The political makeup of the Council has now changed and it may be harder to reach a consensus on where budget reductions should be found and how the budget should be balanced. The risk description describes the uncertainties which are faced; these include the future of Welsh Government settlements as there is no indication about future years funding, the impact on Council budgets of perceived pressures in the Welsh NHS budget, whether the 1% pay cap will continue and the challenges experienced in the delivery of social services transformation programmes.

The risk impact remains unchanged.

The risk reduction measures note that following a motion to Council in May the Budget Research and Evaluation Panel has been asked to review the 1% efficiency saving in schools budgets. If this is not continued there will be nearly £1million extra to find in reductions from other services.

The consultation “Shaping Bridgend’s Future” received the strongest response rate of any Council consultation in recent years. This made the Council better able to find more acceptable areas for budget reductions. In the future the Council will continue to ask residents for their views on the difficult decisions which the Council will need to make.

The financial resilience of the Council will be improved as it seeks to increase the Council Fund reserve to the Welsh average of 2.7%. The fund was increased by £356,000 in 2016-17.

A commercialisation programme is being led by the Head of Finance to identify new and existing opportunities.

The risk score remains unchanged.

- **Supporting vulnerable children, young people and their families**

The risk description has been changed to emphasise that there is a strong link between adverse childhood experiences and poor physical and mental health, chronic disease, lower educational achievement and lower economic success in adulthood.

The risk reduction measures have been changed to note that the Council will reduce adverse childhood experiences and demand on services by investing in early help and intervention programmes. The Care and Social Services Inspectorate Wales (CSSIW) has recently completed an inspection of the service and the initial feedback was that whilst the implementation of the Social Services and Wellbeing (Wales) Act 2014 is 'work in progress' the Council has made good progress.

A number of other changes have been made to the risk reduction measures. They note that whilst there has been a slower than anticipated safe reduction in the number of Looked After Children, there is an earmarked reserve that supports the service area.

A multi-agency safeguarding hub is being developed to improve outcomes for children, young people and their families. Phase 2 of the Multi-Agency Safeguarding Hub (MASH) now needs to be implemented including the future accommodation.

Work is progressing on the adaptations required to support the 52 week residential provision for children with disabilities at Heronsbridge School and it is envisaged that this will assist in reducing the costs of out of county placements.

In addition the Council will finalise the support plan template and reviewing mechanisms for young carers.

The inherent risk likelihood score has been increased from 5 to 6 with a resulting risk score of 24. The residual risk score remains at 20.

The risk impact remains unchanged.

Consideration of the impact of Bridgend locality health services migrating from ABMU to Cwm Taf is being included in the October review of the risk.

- **Welfare reform**

The risk description has been updated to include the number of households affected by the reduction in the benefit cap from £23,000 to £20,000.

The risk reduction measures show the options open to tenants who fall into arrears specifically through the allocation of the bedroom cap.

The risk impact and score remains unchanged.

- **Supporting adults at risk**

The risk description has been changed in a number of areas. It makes reference to the physical and mental health needs within the County Borough being identified in the Population Assessment. In addition the comments about the risks associated with the use of independent providers have been expanded to include the financial stresses caused by the minimum wage, work related time; including the requirement to pay staff for travelling time, plus auto-enrolment in pension schemes.

The risk description notes that demand for services and the requirements of legislation are increasing. Examples are the General Data Protection Regulation (GDPR) and the Regulation and Inspection of Social Care Act 2016. These are being introduced against a background of very significant budget reductions being made in the last six years and further MTFs reductions of £2.2 million being needed in 2017-18 with more again in 2018-19.

The risk impact notes the effect of GDPR; including the potential for very large fines and also that a new system of service regulation and inspection is being introduced by the Regulation and Inspection of Social Care Act 2016.

The risk reduction measures advise that the Council has successfully been on a significant journey of remodeling services and that Officers understand the budget and the legislative requirements as well as the need to reduce demand by investing in targeted early help and intervention programmes.

The risk reduction measures now include the Population Assessment. It provides a clear and specific evidence base in relation to care and support needs and Carers' needs and will underpin the delivery of statutory functions and inform planning and operational decisions.

They say that further training will be required to implement the Regulation and Inspection of Social Care Act 2016, but that BCBC has a track record of training its domiciliary and residential workers and it is likely that these predecessor qualifications will count towards the qualification required. The Council is consulting with Western Bay Partners about how the requirements of the Act will be met.

The comments about the two Extracare homes have been updated to say that this £3 million commitment is progressing.

The Council's Information Governance Board is planning its response to GDPR which comes into force in May 2018.

Finally, the risk reduction measures note that there is a vibrant and mixed domiciliary care market in Bridgend which works very well in partnership with the Council to meet changes in demand. The Council actively seeks to develop and strengthen the market to attract new, quality providers and also engages in early communication and engagement with its partners. Should a provider experience difficulties, the Council has contingency plans in place.

The positive management of the risk has resulted in a reduction in the residual risk score for likelihood from 5 to 4. This means that the overall residual risk score is now 16.

Consideration of the impact of Bridgend locality health services migrating from ABMU to Cwm Taf is being included in the October review of the risk.

- **The economic climate and austerity**

The risk reduction measures note that the Council supports the Bridgend Business Improvement District (BID). Businesses have voted in favour of establishing a Business Improvement District in the town centre and a manager has been appointed. There will now be increased investment into the town's economy from the proceeds of the BID levy over the next three years and key issues which affect the success of the town can be addressed transforming Bridgend into a better place to do business.

The information concerning developments in Porthcawl has been brought up to date. These include work being underway on the Maritime and Water Sports Centre, the completion of the refurbishment of the Jennings Building and the completion of the extension to the Welsh Coastal Footpath.

The Welsh European Funding Office has approved an extension until March 2020 of the Bridges Into Work 2 scheme. This targets help towards economically inactive and long-term unemployed people over the age of 25.

The risk description, impact and score remain unchanged.

The result of the General Election may influence the UK Government's austerity programme, however at the current time there is no certainty about this.

- **Disposing of waste**

The risk description notes that the vehicles being used for recycling under the new service are the same as those used under the old. From October 2017 Kier will be introducing new high capacity vehicles which will result in some rerouting. There is a risk that the service will suffer further disruption and miss collections as the new arrangements bed in.

The inconvenience to residents and reputational damage to the Council when miss-collections take place has been added to the risk impact.

The risk mitigation measures note that the new waste and recycling contract commenced with Kier in April 2017 and that this will improve the Council's environmental performance protecting future generations. It will assist the Council in meeting the WG waste targets and avoid the imposition of fines.

Following the launch of the new waste and recycling contract, there was always going to be disruption as vehicles were rerouted and the new scheme was implemented. This was expected. However in weeks two and three it is accepted that the recycling collection was badly resourced because the contractor misjudged the level of resource required. Service levels dropped to an unacceptable degree. The levels of miss-collecting of recycling are now improving week on week and current collections are well above 99%. Unfortunately some residents who are receiving poor service are repeatedly suffering the same errors.

The Council also introduced an absorbent hygienic products collection and the delivery of this service has also been poor. Some bags have not been delivered

to residents and some collections have not taken place. Blue bag residual waste, bulky waste and garden waste all have low levels of miss-collection.

The risk reduction measures say that Kier are due to introduce new recycling vehicles in October 2017 and that the level of resource must be correct and that they must have sound plans for implementation.

The food waste risk reduction measures have been updated. BCBC and Swansea CBC have agreed a 15 year contract for all household food waste to be processed at Parc Stormy within Bridgend County Borough. The process produces methane gas, which is collected to power a generator and produce electricity that is exported to the national grid. The remaining material becomes a bio-fertilizer which is applied to nearby farm land.

The risk score remains unchanged.

- **Healthy lifestyles**

The risk mitigation measures have been updated. These include the number of persons using the National Exercise Referral Programme, the continued growth in the number of visitors to HALO facilities, the “Get On Track” programme which has successfully supported over 30 young people with additional needs or who are considered to be NEET and the “Later Life” programme which has supported physical activity in day care, residential care and community settings.

The risk description, impact and score remain unchanged.

- **Maintaining infrastructure**

The comment that a proportion of the £400,000 Public Realm Improvement Fund can be spent on the highways network has been removed from the risk mitigation measures.

The risk description, impact and score remain unchanged.

- **Ineffective collaboration with partners**

The risk description has been changed to note the recent announcement by Welsh Government that the Bridgend locality of ABMU is to be moved to Cwm Taf University Health Board. This is highly significant. In the long term it means that all of the Council’s collaborations will be aligned on the same footprint and there are benefits in terms of effectiveness and efficiency that should arise from that.

The risk impact notes that in the case of health and social care integration there are significant risks associated with the health board changes. Specifically these are the risk of a loss of momentum with health and social care collaboration as the Bridgend locality health services migrate from ABMU to Cwm Taf.

The risk reduction measures include specific work to address the anticipated change. These include early and ongoing discussions with Welsh Government,

Cwm Taf and Western Bay partners, internal arrangements being put in place to ensure that key members and officers can share and develop a consistent view of the situation and adequate resources and communication with staff who work closely with Western Bay partners.

The risk owner has changed to include the Chief Executive and the Corporate Director Social Services and Wellbeing.

The residual risk score has increased from 12 to 16. This recognises that certain things that the Council might otherwise have done with ABMU may not happen pending the move to Cwm Taf and also that existing relationships will inevitably weaken as ABMU refocuses. It has not increased further because the Council will work hard to reduce the impact of any disruption.

- **Educational provision**

The risk description has been changed by removing reference to the 1% annual efficiency target. This comment has been added to the Educational Attainment risk.

The risk reduction measures note that the strategic review into the development and rationalisation of the curriculum and school estate provision of Primary, Secondary and Post 16 Education has been undertaken. Comments on each of the four work streams have been added. Band B projects are being developed to meet the challenges of demographic change, leading to a possible increase in places/new schools to cater for additional pupils from housing developments identified in the Local Development Plan, possible expansion of Welsh medium provision and a possible rationalisation of school places due to the Council's policy on all through Primary provision.

The School Leadership and Federations and Curriculum and Workforce Boards have delivered on their objectives with work being transferred to Central South Consortium to continue on a regional basis. The Post 16 work stream continues via the Post 16 Board.

Additional comments around Band B have been added to say that Welsh Government have confirmed that the programme will be funded and with intervention rates of 50% for capital projects and 75% for mutual investment model projects. The Council will now decide what it is prepared to commit to funding.

The risk reduction measures note that the Welsh Strategic Education Plan (WESP) has been consulted upon and will be reported on in 2017-18. All Councils in Wales are awaiting further information from Welsh Government in respect of the timings associated with the delivery of the WESP.

The risk impact and score remain unchanged.

- **The impact of homelessness**

The risk description has been amended to say that the prevention of homelessness is not always achievable for those deemed intentionally homeless

because of their own behaviour or those who are considered vulnerable and chaotic and whose lifestyle, age, and mental health issues make it difficult to hold down the responsibility of accommodation. This may increase the numbers of visible street homeless people who may prove to be difficult cases to place within current projects. Some of these cases are linked to Social Services and Looked After Children.

The risk impact notes that from 1 April 2017, 18 to 21 year olds making new Universal Credit claims were not entitled to help with housing costs unless they are in an exempt group. Also, single private renters under the age of 35, are usually only entitled to benefit at the shared accommodation rate. This rule is changing so that it is extended to supported housing in 2019. In addition the UK Government has indicated that Local Housing Allowance will apply to all new tenancies created after 1 April 2016 for anyone in Social Housing (no age restriction).

The risk reduction measures show that Welsh Government has made available transitional funding to support the implementation of the Housing (Wales) Act 2014. However, this support ceases at the end of 2017-18. The Council will have to stop the activity which the £136,000 funding supports, such as the provision of tenancy bonds and the employment of some officers, or it will create a budget pressure. A withdrawal of money for bonds may impact on the Council's Bed and Breakfast budget and its assistance to former prisoners.

The phasing out of the Communities First programme will take place over 2017-18. Some projects will be sustained through legacy funding, of which the Council will receive £328,173 per annum for two years from April 2018. A decision on how to use the legacy funding will need to be made by the Council and it might include the financial inclusion project which helps prevent homelessness.

The final change to the risk reduction measures is that a review of the current homeless hostel is to take place to ensure that it is fit for purpose.

The risk score remains unchanged.

- **Local Government Reorganisation / Mandated Regional Collaboration**

The risk title has been changed to include Welsh Government mandated regional collaboration.

The risk description has been changed to note that the Welsh Government has moved away from a reorganisation of local government in favour of mandated regional collaboration. Whilst there is further detail to be developed and announced by Welsh Government it is clear that the intention is to direct specific local authorities to work together on specific services by specific deadlines. Any changes must assist the delivery of cost effective services within diminishing resources. For BCBC this is likely to be within the Cardiff Capital City Region footprint or major sub divisions within that.

The risk impact says that the nature of the mandate for collaboration could lead to unproductive work and reduce the Council's capacity to deal with planned

transformations that are required to deliver the corporate plan and the supporting MTFS.

Welsh Government officials have tended to make assumptions about what can and should be delivered jointly and what this should cost or save. There is a risk that the collaborations that we are directed to enter into may be counterproductive. They may not save money and in some cases may cost more. They could lead to a reduction in quality or quantum of service and the planning and implementation timescales may be unrealistic.

The risk reduction measures note that the Council is committed to collaboration as an element of its transformation programme and that the Council will seek to influence developments in a positive manner through direct communication with Welsh Government and through collaborative representation via the WLGA, SOLACE and other professional officer networks.

The risk score remains unchanged.

- **Educational attainment**

The risk reduction measures have been updated to include the latest results and provisional results information. Across the Foundation phase, Key Stage 2 and Key Stage 3, performance has been at the expected level and has shown an overall improvement during the past three years. It is at the expected level across the Authority. At Post 16 level Bridgend has performed above the Consortium average. Performance has been maintained at the same level as last year.

At Key Stage 4 there has been a provisional dip in performance reported by schools in 2017. This is mirrored by dips in performance across the region. The number of changes that schools have had to address in the recent academic year may have impacted performance. These include: GCSE reforms, A Level changes, full implementation of the Welsh Baccalaureate and in-cohort changes. A Central South Consortium action plan in response to the Key Stage 4 data has been established including the analysis of the provisional and final data, meetings with the Central South Consortium Managing Director about each school's performance, collection and sharing of question analysis, clear communication with schools about actions and good practice and visits to all schools by Challenge Advisors to evaluate performance and agree the required support.

A final analysis of results will be presented to Overview and Scrutiny Committee in January 2018.

The risk description, risk impact and risk score remain unchanged.

- **Health and safety**

The risk description has been changed to note that collaboration with Vale of Glamorgan Council in a joint Health and Safety service is being considered because it could improve service resilience by adding to the breadth of accessible skills. There will be a need to ensure that there is clear

communication so that the available expertise continues to be used appropriately.

The risk reduction measures note that a report concerning the possible collaboration with Vale of Glamorgan Council will be considered by Corporate Management Board. Also, the programme of health and safety audits and condition surveys of assets is being supported by a two year fixed term post.

The risk impact and score remain unchanged,

- **School modernisation**

The risk reduction measures develop what is said about Band B. WG have confirmed that the Band B programme will be funded with intervention rates of 50% for capital projects and 75% for mutual investment model projects. The Council will now decide what it is prepared to commit to funding.

The risk description, impact and score remain unchanged.

- **Welsh Language Standards**

The risk impact has been updated to note that the budget pressures have been rolled forward into the 2017-18 MTFS.

The risk reduction measures note that in April 2017 the Welsh Language Commissioner provided responses to the appealed standards and subsequently met with the Corporate Director, Operational and Partnership Services in May 2017. The Council agreed to consider implementing sixteen of the standards with two further standards requiring additional consideration. The Council also agreed to consider implementing an additional two standards that were not included on the Compliance Notice. The implications for service delivery are being considered and will be taken to Corporate Management Board for a decision. If the implications are considered to be severe there is a further right of appeal to the Welsh Language Tribunal.

The risk description and risk score remain unchanged.

- **NJC Pay Claim**

This is a new risk. The risk description says that the Trades Unions have submitted a pay claim for 2018-19 that deletes NJC points SCP 6-9 to give a minimum wage of £8.45 per hour, plus a 5% increase on all pay points. If Trades Unions are successful in making their pay claim then this will lead to increased challenge to budgets (if it is unfunded) and structural difficulties within the workforce as the differential between lower pay grades is eroded.

The risk impact notes that the Council's annual pay bill is about £170,000,000 and therefore every 1% increase costs £1,700,000. If the award is unfunded the Council might fail to deliver the MTFS. This could necessitate the unplanned use of reserves to bridge the funding gap or unplanned cuts to services which could put vulnerable people at risk. There will almost certainly be a further reduction in the workforce.

The bottom pay scale is marginally above the National Living Wage. This means that as the National Living Wage increases, pay grades, based on job evaluation, are being compressed together at the bottom of the pay structure. If points SCP 6-9 are deleted there is less differential between staff and their supervisors. The position will deteriorate further as the National Living Wage is due to increase to £9 by 2020.

Since 2010 prices have increased faster than Local Authority wages. In addition remuneration in the private sector is increasing at a faster rate. This has led to the Council having difficulty in recruiting and retaining staff in some professions. The pay claim would partially address this in some areas.

The risk reduction measures note that the National Joint Council negotiates the pay and terms and conditions of staff in local authorities. They will be consulting with Councils on pay across the workforce and in particular how Councils can meet the challenge of the Government's proposed levels of National Living Wage. The unions' claim will form part of the consultation.

The Council will continue to manage its resources very carefully, in accordance with MTFS principles, and make difficult spending decisions. The workforce will decrease over the life of the MTFS reducing the impact of any pay increases. This will be managed through a year on year reduction in the headcount through redeployment, early retirements, voluntary redundancies and some compulsory redundancies.

- **Equal Pay**

This risk has been rescored with a likelihood of 3 and an impact of 3. The resulting risk score being 9. This score is too low to feature within the Corporate Risk Assessment. The reason for this reduction is that the pay and grading system was implemented in 2013. Claims are time limited for 6 years and so much of the Council's potential liability has dissipated.

- 4.2 In addition to the existing risks which are already in the Corporate Risk Assessment a range of ICT risks have been considered. However once the risk reduction measures have been applied the residual risk scores are not high enough to be included within the Corporate Risk Assessment. The wider impact of the General Data Protection Regulation is also being considered as part of the next risk review which will be reported to SMT in October 2017.
- 4.3 A scoring matrix is used which takes into account both the likelihood of the risk taking place and the impact if it did. The inherent risk is measured and then the residual risk, after the risk reduction measures are applied. The scoring matrix is within the Risk Management Policy.
- 4.4 The Corporate Risk Assessment will be subject to review in October 2017 by Senior Management Team, as part of the Corporate Performance Assessment, and twice yearly by Audit Committee.

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 2018 concerning the 2018-19 Corporate Risk Assessment and review of the Risk management Policy.

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28 September 2017

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Background documents

None