

Audit & Governance Committee

28 September 2020

Report of the Head of Corporate Finance & Commercial Procurement
(interim s151 officer)

Monitor 1 2020/21 - Key Corporate Risks

Summary

1. The purpose of this paper is to present Audit & Governance Committee (A&G) with an update on the key corporate risks (KCRs) for City of York Council (CYC), which is included at Annex A.
2. Risk implications and controls in relation to Covid-19 are included within Annex A.
3. A detailed analysis of KCR9 (Communities) is included at Annex B.

Background

4. The role of A&G in relation to risk management covers three major areas;
 - Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risk
 - Keeping up to date with the risk profile and effectiveness of risk management actions; and
 - Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management
5. Risks are usually identified in three ways at the Council;

- A risk identification workshop to initiate and/or develop and refresh a risk register. The risks are continually reviewed through directorate management teams (DMT) sessions.
 - Risks are raised or escalated on an ad-hoc basis by any employee
 - Risks are identified at DMT meetings
6. Due to the diversity of services provided, the risks faced by the authority are many and varied. The Council is unable to manage all risks at a corporate level and so the main focus is on the significant risks to the council's objectives, known as the key corporate risks (KCRs).
7. The corporate risk register is held on a system called Magique. The non KCR risks are specific to the directorates and consist of both strategic and operational risk. Operational risks are those which affect day to day operations and underpin the directorate risk register. All operational risk owners are required to inform the risk officer of any updates.
8. In addition to the current KCRs, in line with the policy, risks identified by any of the Directorates can be escalated to Council Management Team (CMT) for consideration as to whether they should be included as a KCR. KCRs are reported bi-annually to CMT.
9. The Risk and Insurance Officer attends DMTs bi-annually to update directorate risks.

Key Corporate Risk (KCR) update

10. There are currently 13 KCRs which are included at Annex A in further detail, alongside progress to addressing the risks.
11. Annex C is a one page summary of all the KCR's and their current gross and net risk ratings.
12. In summary the key risks to the Council are:
- KCR1 – Financial Pressures: The Council's increasing collaboration with partnership organisations and ongoing

government funding cuts will continue to have an impact on Council services

- KCR2 – Governance: Failure to ensure key governance frameworks are fit for purpose.
- KCR3 – Effective and Strong Partnership: Failure to ensure governance and monitoring frameworks of partnership arrangements are fit for purpose to effectively deliver outcomes.
- KCR4 – Changing Demographics: Inability to meet statutory deadlines due to changes in demographics
- KCR5 – Safeguarding: A vulnerable child or adult with care and support needs is not protected from harm
- KCR6 – Health and Wellbeing: Failure to protect the health of the local population from preventable health threats.
- KCR7 – Capital Programme: Failure to deliver the Capital Programme, which includes high profile projects
- KCR8 - Local Plan: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding
- KCR9 – Communities: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services.
- KCR10 – Workforce Capacity: Reduction in workforce/ capacity may lead to a risk in service delivery.
- KCR11 – External market conditions: Failure to deliver commissioned services due to external market conditions.
- KCR12 – Major Incidents: Failure to respond appropriately to major incidents.
- KCR13 – Brexit: The implications for council services now that the UK has left the EU. This has been revised to reflect the risks now that UK has left the EU, as it was previously the risk that the UK may leave the EU. Essentially, the risks remain the same at this stage.

13. Risks are scored at gross and net levels. The gross score assumes controls are in place such as minimum staffing levels or minimum statutory requirements. The net score will take into account any additional measures which are in place such as training or reporting. The risk scoring matrix is included at Annex D for reference.

14. The following matrix categorises the KCRs according to their

net risk evaluation. To highlight changes in each during the last quarter, the number of risks as at the previous monitor are shown in brackets.

Impact					
Critical			5 (5)		
Major			6 (6)		
Moderate		1 (1)		1 (1)	
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

15. By their very nature, the KCRs remain reasonably static with any movement generally being in further actions that are undertaken which strengthen the control of the risk further or any change in the risk score. In summary, key points to note are as follows;

- New Risks- No new risks have been added since the last monitor
- Increased Risks – no KCRs have increased their net risk score since the last monitor
- Removed Risks – no KCRs have been removed since the last monitor
- Reduced Risks – No KCRs have reduced their net risk score since the last monitor

Updates to KCR risks, actions and controls

16. Since the last monitor reported to A&G, the Council has had to deal with the significant impact of Covid-19. The risks in relation to Covid-19 affect most council services and have an impact on 11 out of 13 existing KCRs. Covid-19 risks and implications are highlighted in bold in Annex A and are listed below for ease of reference.

KCR1 – Financial Pressures

17. The new risk is described as follows:

- Financial impact of Covid-19 on Council budgets
- Financial impact of Covid-19 on the economy as a whole
- Lack of resources to fully utilise Covid-19 government funding within set timescales, which are very short.

18. This will have the implications;
- Covid-19 will result in additional expenditure pressures (eg. Staff, PPE) and a shortfall in income (eg parking, commercial property), which are unlikely to be fully reimbursed by central government. This will result in potential short term budget pressures which will need to be mitigated by a reduction or reprioritisation of spending or use of reserves. In the long term additional savings will be required.
 - An economic downturn will affect the Council's main sources of funding; reducing business rates income if premises are vacant and reducing council tax income if more individuals require support due to unemployment
19. Controls in place are as follows;
- Ongoing analysis of implications of Covid-19 through budget monitoring and realignment of resources
 - Robust recording of Covid-19 expenditure for MHCLG should increase likelihood of receiving the maximum reimbursement from central government

KCR2 - Governance

20. The new risk is described as follows:
- The initial response to Covid-19 required the Council to put in place urgent decision making guidance to ensure that decisions could be made rapidly, although there was no government guidance until 4 April.
 - Response to Covid-19 has resulted in the requirement to conduct remote decision making meetings.
21. This will have the implications;
- The new decision making protocols in response to Covid-19 must still be made in accordance with the Council's constitution and statutory framework
 - Risk of litigation against any decisions taken during the 'emergency' period
22. Controls in place are as follows:
- A team was set up to ensure both Officers and Members could competently access and participate in remote meetings; and to deal with specific issues highlighted in the remote decision making risk assessment.
 - All officer and delegated decisions are reported publicly to Executive/ A&G to ensure transparency

KCR3 – Effective and Strong Partnerships

23. It was noted that the financial position of partners (which was already a risk) could be worsened due to Covid-19. However, there were many positive examples that partnerships worked well together in the event of the Covid-19 emergency and successfully dealt with issues; eg. the Outbreak Management Board is a non- decision making body which meets regularly; the YCAB partnership; collaboration with DoE. This was recognised as a control since it demonstrates that partnership working was effective at delivering the best outcomes.

KCR4 – Changing Demographics

24. It was recognised that the impact of Covid-19 may disproportionately affect certain demographics; eg BAME and the older community are more likely to suffer health issues, blue badge holders were affected by city centre changes, and the Council need to ensure that decisions made in relation to Covid-19 are taken with a recognition of the different impacts on certain demographics.
25. A control has been added to ensure that Community Impact Assessments are carried out before decision making.

KCR5 - Safeguarding

26. The new risk is described as follows:
- Lower numbers of vulnerable children in school due to Covid-19 may increase the risk of the Council failing to protect a vulnerable child
 - Potential for an increased demand on Children's and Adult services after Covid-19 measures are lifted
27. This will have the implications;
- A statutory breach of contact issues for vulnerable children due to Covid-19 restrictions
 - Financial and resource implications of an increase in demand once the Covid 19 measures are lifted
 - Ongoing work to ensure capacity is assured to enable any increase in demand to be met after Covid-19 restrictions are lifted

28. The control in place is the use of different methods of contact methods for vulnerable children, such as facetime, alongside working with the DoE and Ofsted.

KCR6 – Public Health

29. There is a risk that Government policy in relation to Covid-19 may prioritise the economy over public health and lift restrictions too soon, which may increase the likelihood of an outbreak.
30. The Outbreak Management Board is a positive example of the control in place, dealing successfully with this risk in relation to Covid-19. The Covid-19 outbreak prevention, management and response will continue to be the main focus throughout 2020 and 2021/22 and until the pandemic is declared over. The Outbreak Control Plan is due for review in March 2021.
31. The Director of Public Health's Annual report will include a detailed analysis of the Council's response to Covid-19, which is due to be published in February 2021

KCR7 – Capital Programme

32. There is a risk that any reduction in expenditure required due to budget pressures as a result of Covid-19 may reduce future capital programmes. Pausing or stopping projects as a result of Covid-19 may create some compliance issues and may mean that existing projects require extensions.
33. As a control there is an ongoing procurement and legal review to highlight any issues which may arise as a result of pausing projects due to Covid-19.

KCR9 – Communities

34. There have been positive actions/ controls as a result of Covid-19 which demonstrate the Council can work with the community and partners to ensure that communities are resilient. These include;
 - Community Hubs set up to distribute food and medicine
 - Helpline – phone and inbox 7 days a week including bank holidays
 - Covid-19 crisis funds to help the financially vulnerable

KCR10 Workforce/ Capacity

35. The following risks were identified in relation to the health, wellbeing and motivation of the workforce;
- Adjustment to the new ways of working as a result of Covid-19 eg home working, use of PPE, increased lone working due to need to social distance
 - Additional workload due to Covid-19
 - Reduction in posts due to budget savings required as a result of Covid-19
36. Controls in place include;
- Joint Health and Safety Board and regular review of support for staff
 - Increased help and awareness of staff wellbeing and mental health as a result of the new ways of working during Covid-19 including regular communication, advice, risk assessments, help with home office and ICT equipment

KCR11 – External Market Conditions

37. The risks identified were;
- Providers may go out of business as a result of Covid-19
 - Many sectors under financial pressure due to Covid-19 (due to reductions in income or increase in expenditure)
38. A control was in place to mitigate this risk by providing short term financial assistance from Covid-19 pressures through supplier reliefs and government grants to business.
39. However it is recognised that there should be an ongoing action to improve the Council's proactive efforts in market development and market shaping.

KCR12 – Response to Major Incidents

40. If there was an uncoordinated or poor response to a local lockdown requirement this could result in implications as already recognised in this risk.
41. The development of the local outbreak control plan and a variety of internal recovery strategies are in place as a control to mitigate this risk.
42. There were no implications for KCR8 Local Plan or KCR13

Brexit, as a result of Covid-19. All of the above changes are included at Annex A.

Options

43. Not applicable.

Council Plan 2019-2023

44. The effective consideration and management of risk within all of the council's business processes helps support achieving all eight of the key outcomes identified in the Council Plan.

Implications

45. There are no further implications.

Risk Management

46. In compliance with the council's Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

Recommendations

47. Audit and Governance Committee are asked to:

- (a) consider and comment on the key corporate risks included at Annex A, summarised at Annex C;
- (b) consider and comment on the information provided in relation to KCR9 Communities included at Annex B;
- (c) note that the 2020/21 Monitor 2 report will include a detailed analysis of KCR10 Workforce/Capacity;
- (d) provide feedback on any further information that they wish to see on future committee agendas

Reason:

To provide assurance that the authority is effectively understanding and managing its key risks

**Contact Details
Authors:**

Sarah Kirby
Principal Accountant
(Corporate Finance)
01904 551635

**Chief Officer Responsible for the
report:**

Debbie Mitchell
Head of Corporate Finance and
Commercial Procurement

Lisa Nyhan
Corporate Risk and
Insurance Manager
01904 552953

**Report
Approved ✓**

**Date
2/9/20**

Specialist Implications Officer(s)

Charlie Croft
Assistant Director – Communities and Equalities
01904 553371

Wards Affected All

Annexes

- A – Key Corporate Risk Register
- B – Analysis of KCR9 Communities
- C – Summary of Key Corporate Risks
- D - Risk Scoring Matrix