

#### **Audit & Governance Committee**

18 September 2019

Report of the Deputy Chief Executive/ Director of Customer and Corporate Services Directorate

## Monitor 2 2019/20 - Key Corporate Risks

# **Summary**

- 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. A detailed analysis of KCR7 (Capital Programme) is included at Annex B.
- 3. As requested by the Chair of A&G, an update on the York Central Project is also included at Annex D.
- 4. Included at Annex E is the Older Persons' Accommodation Gateway Review Briefing.

# **Background**

- 5. 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
- 6. 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
- 7. 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).
- 8. 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.
- 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.
- 10. The Risk and Insurance Officer attends DMTs bi-annually to update directorate risks.

# Key Corporate Risk (KCR) update

- 11. There are currently 13 KCRs which are included at Annex A in further detail, alongside progress to addressing the risks. A new risk KCR13 (Brexit) is included in this monitor.
- 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 when the UK is set to leave the EU on 31 October 2019.
- 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 C 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 (0)	
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- One new KCR has 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

#### New KCR - Brexit

- 16. A new risk has been added in relation to Brexit and the implications for council services when the UK is set to leave the EU on 31 October 2019. Lack of clarity on the final outcome of negotiations and whether the withdrawal agreement will be accepted by parliament makes it difficult to fully access the implications of Brexit for York. Many risks are intangible given the variety of future scenarios that exist. The Council has therefore, to the extent information allows, undertaken limited assessments and planning for a no deal scenario looking at the implications internally, city wide and regional/national. This will inform the Council's response to any challenges or opportunities posed by Brexit and prioritise information and support for residents.
- 17. The net risk score is 15 (probable and moderate) as there are controls in place to mitigate the gross risk.

# Updates to KCR actions or controls since the last monitor report

18. KCR1 – A new risk detail has been identified. Central government are not expected to announce a 4 year spending review. It is likely to be limited to one year only for 2020/21. This has two major implications; it creates uncertainty which hinders long term financial planning and it may impact on staff retention

- as it creates uncertainty for temporary posts funded by external funding.
- 19. KCR4 Changing Demographics. The action further design and implementation of arrangements for early help and prevention has a revised date of 31/10/19.
- KCR5 Safeguarding. A new risk implication is included to note the risk of financial implications, such as compensation payments.
- KCR7 Capital Programme. Two new controls are included, which are detailed further in Annex B.
- 22. KCR9 Communities. A new control has been added to note that the July 2019 budget provided additional resource to the safer community fund, community engagement officer and the use of Brexit funding.
- 23. KCR10 Workforce/Capacity. As mentioned in relation to KCR1 the one year funding settlement could have an implication on staff retention as it creates uncertainty for temporary posts funded by external funding. The implications of Brexit may mean that if staff with EU citizenship leave this could result in potential recruitment issues. This is mitigated by engagement with staff that had concerns about the EU settlement Scheme for European Citizens, and offer of support through York Learning, Registrars and Citizens' Advice Bureau.

Additional controls in relation to this risk have been identified. An increase in regulatory compliance and an increase in the living wage.

- 24. KCR11 External Market Conditions. A new control has been included in relation to the Brexit risk to note that no specific supply chain or procurement issues have been identified yet.
- 25. KCR12 Major Incidents. A new action has been included to note the Environment Agency's improvements to flood protection, which remains ongoing.
- 26. Further details on the above changes are included at Annex A.

### **Options**

27. Not applicable.

#### Council Plan 2015 - 2019

28. The effective consideration and management of risk within all of the council's business processes helps support achieving 'evidence based decision making' and aid the successful delivery of the three priorities.

## **Implications**

29. There are no further implications.

# **Risk Management**

30. 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

- 31. Audit and Governance Committee are asked to:
  - (a) consider and comment on the key corporate risks included at Annex A:
  - (b) consider and comment on the information provided in relation to KCR7 Capital Programme included at Annex B;
  - (c) consider and comment on the information provided in relation to the York Central Project included at Annex D
  - (d)note the publication of the Older Person's Accommodation Gateway Review Briefing;
  - (e) note that the 2019/20 Monitor 3 report will include a detailed analysis of KCR8 Local Plan;
  - (f) 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.

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# **Specialist Implications Officer(s)**

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Wards Affected All

#### **Annexes**

- A Key Corporate Risk Register
- B Analysis of KCR7 Capital Programme
- C Risk Scoring Matrix
- D York Central
- E Older Persons' Accommodation Gateway Review Briefing