



AUDIT COMMITTEE

Date Written	9 th April 2021
Report Author	Matthew Rivers
Exempt/Non Exempt	Non Exempt
Committee Date	19 th April 2021

To: Chair, Ladies and Gentlemen

ANNUAL RISK MANAGEMENT PROGRESS REPORT AND UPDATED CORPORATE RISK REGISTER FOR 2020-21

1.0 SUMMARY OF THE REPORT

- 1.1 The report provides information regarding the Council's Annual Risk Management Progress and the proposed updated Corporate Risk Register for 2020-21.
- 1.2 As expected, all 9 of the Corporate Risks in the Corporate Risk Register as in April 2020 have remained as Corporate Risks for 2020-21. However, an additional Corporate Risk relating to the Coronavirus Pandemic (Covid-19) has been added and approved at Cabinet in September 2020.
- 1.3 The report demonstrates how the Council has continued to embed the Risk Management requirements of the Well-being of Future Generations (Wales) Act 2015 in its Corporate Risk Management Framework. It also outlines how Risk Management has been further enhanced to include the socio-economic duty that came into force from the 31st March 2021.
- 1.4 The Council's Corporate Risk Management arrangements described within the Annual Progress Report have continued to mature and strengthen the Council's Risk Governance arrangements by:
 - Supporting the delivery of the Council's Well-being Objectives and wider Council Priorities in its Recovery, Transformation and Improvement Plan through the identification, assessment and management of the Council's Corporate Risks.

- Ensuring that Risk Management remains strategically focused at the Council.
- Illustrating a clear high-level commitment to risk management from Corporate Management Team and Councillors.
- Using the 4 T's best practice process as part of the Council's Corporate Risk Management Framework.
- Embedding Risk Management across the Council.
- Clear accountability and ownership of Corporate Risk.
- Transparency in the review of risks.
- Continuing to consider the risk management requirements of the Well-being of Future Generations (Wales) Act 2015, Socio-economic Duty and the Local Government and Elections (Wales) Act 2021.
- Being visible and used by the Corporate Management Team to update the risk position for the Council, for example outcomes from exam results. Corporate Risk and Service Risk will form part of the Corporate Dashboard that is being developed.
- Using the Corporate Risk Register and process to assess of impacts of the coronavirus pandemic.

- 1.5 The report is supplemented by the following appendices:
- Appendix 1 - Council's Annual Risk Management Progress Report, contained within this document is Appendix A - Council's proposed updated Corporate Risk Register for 2020-21.

2.0 RECOMMENDATIONS that

- 2.1 Audit Committee note and debate the content of this report and recommend this report (including the Corporate Risk Register for 2021-22) progresses to Cabinet for approval.
- 2.2 Audit Committee notes the continued progress made in considering the Risk Management requirements of the Well-being of Future Generations (Wales) Act 2015 and the Socio-economic Duty.
- 2.3 Audit Committee invites Lead Corporate Management Team Officers to attend on a rolling programme basis to report on progress in managing their Corporate Risks.
- 2.4 Audit Committee notes the proposals to continue to present highlight reports on the Corporate Risk Register to Cabinet.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 It was previously agreed at the Council meeting of 7th March 2007 that Elected Members should receive Risk Management Progress Reports via Cabinet and Audit Committee.
- 3.2 The Council's Annual Risk Management Progress Report and the Updated Corporate Risk Register for 2019-20 were presented to Audit Committee on 19th December 2019. This is being done later this year due to delays in receiving the annual financial settlement and Officers carrying out vital roles in responding to the

Coronavirus Pandemic (e.g. mass testing) leading to build ups in annual leave. However, the annual risk highlight report was approved by Cabinet in September 2020. This report included an update to the Corporate Risk Register, including an additional Corporate Risk relating to the Coronavirus Pandemic – Covid-19 (Risk 10).

3.3 Ultimate responsibility for Risk Management within the Council rests with all Elected Members of the Council, whilst Cabinet is allocated responsibility for overseeing Risk Management.

3.4 In summary, Elected Members role is to:

- Oversee the effective management of risk by Officers and Cabinet Members of the Council.
- To gain an understanding of Risk Management and its benefits.
- Consider the risks associated with proposals put forward in committee reports when making decisions recommended within the reports.
- Require Officers and Cabinet Members to develop and implement an all-encompassing approach to Risk Management.
- Be responsible for effective governance in the delivery of services to the local community.
- Take a full part in the Corporate Risk Management Process as members of the service management meetings, Scrutiny, Audit Committee, Cabinet meetings and Full Council meetings.

3.5 The role of the Audit Committee, in relation to Risk Management, is to:

- Provide a high-level focus on assurance and the Council's arrangements for governance, managing risk and maintaining an effective control environment.
- Consider the effectiveness of the Council's Risk Management arrangements.
- Seek assurances that actions are being taken on risk.

4.0 COUNCIL'S ANNUAL RISK MANAGEMENT PROGRESS REPORT

4.1 The Council's Annual Progress Report on implementing Risk Management is attached as Appendix 1. Some of the key points to note include:

- Risk Management is an integral part of the Corporate Services strategy. It relates to having a supportive and collaborative culture with reduced resistance to change, where calculated risks can be taken to deliver sustainable change and achieve better outcomes. Good risk management will enable the Council to better deliver its Corporate Well-being Plan and Recovery, Transformation and Improvement Plan (RTI Plan). This is explained in more detail in Appendix 1.
- The Council has a Risk Category Checklist as part of its risk identification process. This aims to ensure that risk identification is undertaken in a structured way to help ensure that all potential categories of risk are considered rather than just the initial risks that come to mind. The Checklist is based on the widely used PESTLE Model (Political, Economic, Social, Technological, Legal and Environmental).

- The Council has continued to embed the Risk Management requirements of the Well-being of Future Generations (Wales) Act 2015 and Socio-economic Duty in its Corporate Risk Management Framework through its:
 - PESTLE Model.
 - (5 x 5) Risk Matrix.
 - Risk Registers.
 - Project Management Framework.

This is discussed in more detail in the Annual Report in Appendix 1.

- To support the Council in taking well managed risks the Council has adopted the 4 T's best practice process as part of its Corporate Risk Management Framework, which are:
 - Tolerate the risk;
 - Treat/Manage the risk;
 - Transfer the risk;
 - Terminate the risk.

This helps the Council to focus its resources on those risks that need to be managed.

- Progress on the management of the Council's Corporate Risks was presented to Audit Committee on 19th December 2019.
- A Highlight Report for the Corporate Risk Register for 2019-20 was considered and approved by Cabinet on 16th September 2020.
- Each Chief Officer and Head of Service has a Service (or Operational) Risk Register in place. These Risk Registers have been reviewed and updated in 2020-21, in line with the Risk Management requirements of the Well-being of Future Generations (Wales) Act 2015.
- As part of the review of the Council's Corporate Risk Register, a Risk identification workshop was held with Cabinet and Corporate Management Team on 1st April 2021. Feedback from the workshop has informed this report (including Appendix 1).
- Staff and Councillors have undertaken refresher Risk Management training through the Council's eLearning Module that has been developed in partnership with Bob's Business. Along with Risk Management the Council uses Bob's Business to provide eLearning training to staff and Councillors on information/cyber security and Data Protection. The training is run over the course of a financial year. The Risk Management eLearning Module addresses the importance of Risk Management and illustrates how it supports an organisation in achieving its objectives.
- In line with the requirements of the Well-being of Future Generations (Wales) Act 2015 the Council has developed an Integrated Impact Assessment. The Integrated Impact Assessment aims to support the Council in demonstrating how it is planning, delivering and monitoring services in line with the sustainable development principles and how it is seeking to improve the economic, social, environmental and cultural well-being of Merthyr Tydfil, now and for future generations. This has now been

updated to include the requirements of the Socio-economic Duty on the Council. The Integrated Impact Assessment has been rolled out for Council and Cabinet Reports. Implementation of the Integrated Impact Assessment will ensure that risk is taken into account appropriately by enabling the identification of opportunities (positive impacts) and/or threats (negative impacts). This includes identifying actions that have been/will be taken to better contribute to positive impacts and/or mitigate any negative impacts.

- The Council monitors risks associated with the RTI Plan through a dashboard presented to Corporate Management Team on a weekly basis.
- The Council has a Procurement Toolkit to help service departments and staff when procuring goods and services. Risk Management is an integral part of this toolkit and will better position Procurement to manage stakeholder expectations and facilitate outcomes that are within the risk tolerance of the Council. There are many benefits to ensuring that Risk Management is embedded into the Procurement process, for example:
 - Smarter procurement decisions – achieving both financial and nonfinancial benefits.
 - Fewer surprises; better identification and achievement of stakeholder expectations through acknowledgement of risks.
 - Better procurement outcomes for buyers and suppliers, satisfying the commercial and relationship needs of both parties.
- The Council's Corporate Risk Management arrangements described within the Annual Progress Report have continued to mature and strengthen the Council's Risk Governance arrangements by:
 - Supporting the delivery of the Council's Well-being Objectives and wider Council Priorities in its Recovery, Transformation and Improvement Plan through the identification, assessment and management of the Council's Corporate Risks.
 - Ensuring that Risk Management remains strategically focused at the Council.
 - Illustrating a clear high-level commitment to risk management from Corporate Management Team and Councillors.
 - Using the 4 T's best practice process as part of the Council's Corporate Risk Management Framework.
 - Embedding Risk Management across the Council.
 - Clear accountability and ownership of Corporate Risk.
 - Transparency in the review of risks.
 - Continuing to consider the risk management requirements of the Well-being of Future Generations (Wales) Act 2015, Socio-economic Duty and the Local Government and Elections (Wales) Act 2021.
 - Being visible and used by the Corporate Management Team to update the risk position for the Council, for example outcomes from exam results. Corporate Risk and Service Risk will form part of the Corporate Dashboard that is being developed.
 - Using the Corporate Risk Register and process to assess of impacts of the coronavirus pandemic.

5.0 CORPORATE RISKS - CORPORATE RISK REGISTER FOR 2020-21

Corporate Management Team and Cabinet Risk Identification Workshops

- 5.1 As part of the Council's Corporate Risk Management Framework risk identification workshops are held for Corporate Management Team and Cabinet to identify the most significant Corporate Risks that could impact on the Council and/or community. It should be noted that the Council's Recovery, Transformation and Improvement Plan acts to mitigate our Corporate Risks.
- 5.2 The objectives of the Corporate Management Team Risk Identification Workshop were as follows:
- To identify and risk score the most significant Corporate Risks that could impact on the Council and/or Community.
 - To agree risk responses for each Corporate Risk using the 4 T's best practice process, which are:
 - Tolerate the risk;
 - Treat/Manage the risk;
 - Transfer the risk;
 - Terminate the risk.
 - To agree the Lead Corporate Management Team Officer and Lead Councillor / Cabinet Member for each Corporate Risk.
- 5.3 Risk identification workshops were held for Corporate Management Team on 26th October 2020 and Cabinet on 27th October 2020. This was followed up with discussions between Corporate Management Team and the Cabinet. At this time the Council was not clear of when and type of budget settlement it would receive. As such it was difficult to assess the financial corporate risk. As such, following discussion with the Head of Audit, it was decided to revisit this process once a budget settlement was received to add more certainty around the Council's Corporate Risk Register. Due to available capacity (following supporting the council's response to responding to Coronavirus Pandemic) this was picked up in March 2020 with a joint Corporate Management Team and Cabinet workshop taking place on the 1st April 2021.
- 5.4 The objectives of the Cabinet Risk Identification Workshop were as follows:
- Consider the Corporate Risks identified by Corporate Management Team.
 - Review the risks identified at previous Councillor Risk Workshops.
 - Identify any additional risks as per each Portfolio.
- 5.5 The Corporate Risk Register was reviewed in the Risk Workshops by:
- Re-appraising the Corporate Risks in the Council's Corporate Risk Register for 2020-21 to determine if they were still Corporate Risks for 2021-22.
 - Agreeing risk responses for each Corporate Risk (4T's).
 - Agreeing the Lead Corporate Management Team Officer & Lead Councillor / Cabinet Member for each Corporate Risk.
 - Considering if there were any new Corporate Risks facing the Council and/or community – This included the new risk (risk number 10) relating to the Council's response to the coronavirus pandemic.

Analysis of Corporate Risk Register for 2020-21

- 5.6 As expected, all ten of the Corporate Risks in the Corporate Risk Register for 2019-20 have remained as Corporate Risks for 2020-21. These are common long term cross cutting risks that will face this and other Councils going forward. It was established that this is also likely to be the case for the most recently added Corporate Risk regarding the Coronavirus Pandemic (Covid-19).
- 5.7 The risks that were reviewed and identified at the Corporate Management Team and Cabinet risk workshop will continue to be managed and monitored as part of the Corporate Management Team and Cabinet responsibilities. Any new risks identified that are not currently recorded in a Risk Register will be added as appropriate.
- 5.8 Each Corporate Risk in the Corporate Risk Register has been allocated a Risk Type, Lead Corporate Management Team Officer and Lead Councillor/Cabinet Member. The table below provides a summary of the Corporate Risk Register for the 10 Corporate Risks, in terms of risk number, type and description. The Corporate Risk Register for 2020-21 is available in Appendix 1.

Risk No.	Risk Type	Description of Risk	Risk Score (Sept. 2020)	Risk Score (April 2021)	Lead Councillor / Lead Corporate Management Team Officer
1 (i)	Finance	The Council does not balance the budget in-year.	Impact = 5 Likelihood = 3 Risk Score = 15	Impact = 5 Likelihood = 2 Risk Score = 10	Councillor Andrew Barry Chief Finance Officer
1 (ii)		The Council is not financially sustainable going forward.	Impact = 5 Likelihood = 4 Risk Score = 20	Impact = 5 Likelihood = 3 Risk Score = 15	
2	Reputation	The risk that the Council fails to maintain and protect its reputation.	Impact = 5 Likelihood = 4 Risk Score = 20	Impact = 5 Likelihood = 3 Risk Score = 15	Cabinet Head of Corporate Communications, Consultation & Engagement

Risk No.	Risk Type	Description of Risk	Risk Score (Sept. 2020)	Risk Score (April 2021)	Lead Councillor / Lead Corporate Management Team Officer
3	Cyber Attack	The risk that the Council is exposed to a cyber attack that could cause a catastrophic failure.	Impact = 5 Likelihood = 4 Risk Score = 20	Impact = 5 Likelihood = 4 Risk Score = 20	Councillor Andrew Barry Chief Finance Officer
4	School Attainment	The risk that all learners do not perform at expected levels.	Impact = 5 Likelihood = 5 Risk Score = 25	Impact = 5 Likelihood = 5 Risk Score = 25	Councillor Lisa Mytton Chief Officer (Learning)
5 (i)	Capacity	The risk that the Council loses staff with high skills and experience and are unable to recruit staff to the required ability to fulfil their role.	Impact = 4 Likelihood = 4 Risk Score = 16	Impact = 4 Likelihood = 4 Risk Score = 12	Councillor Andrew Barry Head of HR
5 (ii)		The risk that the Council does not have the general capacity to deliver key outcomes and targets (e.g. the Council has many Single Points Of Dependency (SPODs)).	Impact = 4 Likelihood = 4 Risk Score = 16	Impact = 4 Likelihood = 4 Risk Score = 16	
6	Compliance	The risk that the Council does not meet statutory requirements, laws and regulations.	Impact = 4 Likelihood = 4 Risk Score = 16	Impact = 4 Likelihood = 4 Risk Score = 16	Councillor Andrew Barry Monitoring Officer
7	Brexit	The risk that Brexit will have an adverse economic impact at the national and local level that will in turn have a negative financial, strategic and legislative impact on the Council, and subsequently the delivery of public services.	Impact = 4 Likelihood = 4 Risk Score = 16	Impact = 3 Likelihood = 3 Risk Score = 9	Councillor Lisa Mytton Deputy Chief Executive

Risk No.	Risk Type	Description of Risk	Risk Score (Sept. 2020)	Risk Score (April 2021)	Lead Councillor / Lead Corporate Management Team Officer
8	Safeguarding	The risk that the Council does not fulfil its statutory obligations and the Council's safeguarding arrangements fail to safeguard children, adults and Council staff.	Impact = 5 Likelihood = 3 Risk Score = 15	Impact = 5 Likelihood = 3 Risk Score = 15	Councillor Chris Davies Chief Officer - Social Services (Statutory Director of Social Services)
9	Performance	The risk that the Council's statutory regulators issue a formal recommendation to the Council for improvement.	Impact = 4 Likelihood = 5 Risk Score = 20	Impact = 4 Likelihood = 5 Risk Score = 20	Cabinet Corporate Management Team
10	Covid-19	The coronavirus pandemic will have an adverse health and economic impact on Merthyr Tydfil, in turn affecting all functions of the Council and the ability to provide public services across the Country Borough.	Impact = 5 Likelihood = 4 Risk Score = 20	Impact = 5 Likelihood = 4 Risk Score = 20	Cabinet Corporate Management Team

6.0 NEXT STEPS

- 6.1 The Council's Annual Risk Management Progress Report and Updated Corporate Risk Register for 2020-21 will be presented to Cabinet in May 2021 for consideration and approval.
- 6.2 In order to provide Corporate Management Team, Council, Cabinet and Audit Committee with a level of assurance that the Council's Corporate Risks are being managed the following steps will be undertaken:
- As in previous years, Lead Corporate Management Team Officers will continue to be invited to Audit Committee on a rolling programme basis to report on progress in managing the Corporate Risks they are responsible for monitoring and managing.
 - Highlight reports on the Corporate Risk Register will continue to be presented to Cabinet, as well as continuing the current arrangements with Audit Committee.

7.0 FINANCIAL IMPLICATION(S)

- 7.1 There are no specific financial implications identified in this report although good Risk Management supports sound financial management and helps maximise financial resources and minimise losses. Any financial implications arising from this process will be reported to Cabinet/Council as appropriate, including potential options for funding.

ELLIS COOPER
CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE,
PERFORMANCE, BUSINESS CHANGE &
CORPORATE SERVICES

APPENDIX 1 - ANNUAL RISK MANAGEMENT PROGRESS REPORT FOR 2019-20 AND CORPORATE RISK REGISTER FOR 2020-21

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Does the report contain any issue that may impact the Council's Constitution?		No