

AUDIT AND ASSURANCE COMMITTEE

Meeting date: 29th July 2020

From: Director of Finance (s151 Officer)

2019/20 QUARTER 4 CORPORATE RISK REPORT

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with a progress update on the Council's 2019/20 corporate risks at the end of the fourth quarter to 31 March 2020.
- 1.2 During the fourth quarter of 2019/20 and specifically from early March, the coronavirus (COVID-19) spread across Cumbria and impacted on the delivery of Council services. Council meetings were suspended for a period, including the Audit and Assurance Committee Meeting of 17th March. The Committee was due to consider the Quarter 3 Risk Report at that meeting and although the agenda was published this covering report reflects the key updates to the corporate risks for the last two Quarters of 2019/20; Quarter 3 and Quarter 4.
- 1.3 Unlike other wide scale emergencies experienced by the Council in the past, COVID-19 is expected to be of a prolonged nature and its impact will be felt for many years to come, adding another layer of uncertainty and challenge to the provision of public services in 2020/21 and onwards.
- 1.4 All corporate risks, for Quarters 3 & 4, have been reviewed by Corporate Management Team and considered at Cabinet Briefings. They are presented in this report to provide assurance that the Council's current Risk Management arrangements are both robust and effective.

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 2.1 The Council Plan 2018-2022 was agreed by full Council in February 2018 and sets the context for fresh approaches and new programmes of work for the Council to take forward over the coming 4 years. The Council Plan Delivery Plan agreed by Cabinet in June 2018 sets out how the Council will contribute towards achieving the outcomes of the Council Plan, with the delivery plan focused on achieving 3 outcomes:

- i. Places in Cumbria are healthy and safe;
- ii. Places in Cumbria are well-connected and thriving;
- iii. The Economy in Cumbria is growing and benefits everyone.

2.2 In context of our New Ways of Working, the Delivery Plan also sets out what we aim to do to ensure that we as an organisation are financially sustainable for the future and can continue to support communities and deliver the best services with the resources available.

2.3 All risks included in the current Corporate Risk Register were reviewed and refreshed by CMT in May 2019 and all of these risks will be further reviewed and refreshed by the end of Quarter 1 2020/21.

3.0 RECOMMENDATION OF THE DIRECTOR

3.1 **Members are asked to note the updates on Corporate Risks for Quarter 3 & Quarter 4 and agree that this report provides sufficient assurance that the current Risk Management arrangements are both robust and effective.**

ADVICE OF DIRECTOR

4.0 QUARTER 3&4 2019/20 CORPORATE RISK REGISTERS

4.1 Summary of Corporate Risks: Quarter 3 & Quarter 4:

There were 11 risks on the **Quarter 3** corporate risk register, 6 high risks and 5 medium risks. A summary of the high risks are listed below in Table 1;

Table 1 - The Council's High Rated Risks at Quarter 3
1. Prevention of & Placement Sufficiency for Children Looked After
2. Deliver a Financially Sustainable Authority
3. Workforce Capacity
4. Care needs & continuity of care
5. Learning Disability Partnership arrangements
6. Information Security arrangements

One additional (high) risk was added to the **Quarter 4** corporate risk register, and resulted in 12 risks, 7 high risks and 5 medium risks. A summary of the high rated risks are listed below in Table 2;

Table 2 - The Council's High Rated Risks at Quarter 4
1. The impact of COVID-19 on the delivery of Council Services
2. Prevention of & Placement Sufficiency for Children Looked After
3. Deliver a Financially Sustainable Authority
4. Workforce Capacity
5. Care needs & continuity of care
6. Learning Disability Partnership arrangements
7. Information Security arrangements

Appendix 1 summarises the comparative risks scores for Q3 & Q4, end of year target scores and direction of travel.

Appendix 2 offers a more detailed narrative of the current controls at Quarter 4 and ongoing improvements to controls over the coming 3 months.

Summary of changes to Corporate Risks compared with the previous Quarter:

4.2 Table 3 below, provides a summary of the overall changes to the corporate risks for Quarter 3 and 4, including the identification and monitoring of key emerging risks.

Table 3 – Summary of Risk Management Changes at Quarter 3 & 4	
<p>New Risks</p> <p>No new risks had been added to the register during Quarter 3. However, one new risk has been added to the register during Quarter 4 relating to the Impact of COVID-19 on the delivery of Council Services.</p>	<p>Rescored Risks</p> <p>During Quarter 3, all risk ratings remain the same compared to last quarter however, the end of year target risk score was increased for the corporate risk <i>Deliver a Financially Sustainable Authority</i>.</p> <p>During Quarter 4, all risk ratings for the corporate risks other than the new COVID-19 risk remained the same compared to last quarter.</p>
<p>Emerging Risks</p> <p>During Quarter 3 and Quarter 4 both Brexit and Climate Change remained as emerging risks and their potential impacts continue to be reviewed.</p> <p>At the time of reporting the Quarter 3 Risk Report, COVID-19 was an emerging risk and being closely monitored to understand its potential impact on Council Services. By the end of Quarter 4, COVID-19 had escalated and a Major incident for COVID-19 in Cumbria was declared on 11th March.</p>	<p>Closed Risks</p> <p>No risks have been removed from the register either during Quarter 3 or 4.</p>

New & Closed off Risks

New risk in Quarter 4: COVID-19 Outbreak

4.3 In the Quarter 3 risk report, COVID-19 had been highlighted as an emerging risk.

4.4 In light of the outbreak of COVID-19 spreading across Cumbria, on 11 March a Major emergency incident was declared. From March, COVID-19 impacted on the delivery of Council Services across all areas of the Council's activity.

- 4.5 Unlike other wide scale emergencies experienced by Cumbria County Council in the past, COVID-19 is expected to have a very prolonged response phase. So although we have experienced some impact in Quarter 4 2019/20, we expect to see the full impact of this incident from Quarter 1 2020/21 and for many years to come, providing an additional layer of uncertainty and challenge to the provision of public services.
- 4.6 On 19 March 2020 Central Government announced that additional emergency funding would be provided for local government to help the national response to COVID-19 pressures across all service areas. The Council has received two tranches of general funding to support the response, totalling £25.204m. A further tranche was announced on 2nd July, allocations are awaited. Cabinet and Scrutiny Managers Board received updates on the impact of the pandemic and the Council's response in June. A further update report will be received by Cabinet in June.
- 4.7 As at the date of drafting this report, the response to COVID-19 has been our top priority over the last 3 months and many of the scheduled improvements to risk controls that were due to take place during Quarter 4 and into Quarter 1 have been delayed.
- 4.8 A new COVID-19 corporate risk has been developed which captures the key internal controls and measures that have been implemented during March 2020 (Quarter 4) or are being implemented during Quarter 1. The risk is scored at 20 (in Quarter 4) and the year-end target for 19/20 is also 20.
- 4.9 All Corporate Risks will be refreshed by end of Quarter 1 and this will include recognition of the status and ongoing impacts and consequences of COVID-19 on the Council's activities.

Closed Off Risks

- 4.10 No risks have been identified for removal from the register either during Quarter 3 or 4.

Rescored Risks

- 4.11 During Quarter 3, there had been no change to the actual risk scores however, the end of year target score for the risk to ***Deliver a Financially Sustainable Authority*** was increased from 15 to 20 for the following reasons;
- To achieve financial sustainability, the Council needs to be clear on the resource envelope available and have sufficiently robust plans and embedded ways of working to live within its means.
 - The absence of a long-term funding settlement for Local Government in particular, the implementation of Fair Funding is a limiting factor.

- Further, although a balanced year end position for 2019/20 was achieved, the delay in the delivery of some of the transformational savings projects as set out in the monitoring reports to Cabinet the embedding of new ways of working is in progress but not secured.
- Uncertainty of long term funding and demand pressures upon key budget areas result in the maintenance of the risk score at 20. The impact of COVID-19 has added to the risks of securing long term financial sustainability. This has been the subject of reporting by the Local Government sector since March. The government announcement on 2nd July underlined its commitment to working with the sector to find an appropriate funding approach as part of the Spending Review due in the autumn.

4.12 Also during Quarter 3, three other corporate risks with targeted lower end of year scores were challenged and a summary of the reasons why the current scores still remain higher than the target end of year score are provided in Table 4 below.

Table 4 - Status of current risk scores versus end of year target risk scores		
Q3 Risk Score	End Yr Target Score	Reason why Q3 risk score remains higher than end of year risk target.
Corporate Risk 3 – Workforce Capacity		
20	15	<p>A number of reasons exist to explain why the Q3 Risk score will not achieve the end of year target score, namely;</p> <p>Externally Provided Workforce (EPW)</p> <ul style="list-style-type: none"> • Recruitment and retention to those posts which are hard to fill remains a national challenge (such as adults and children Social Work teams and legal services), with the need for EPW's to maintain safe staffing levels in these key areas. • The EPW Strategy Group continues to meet monthly chaired by AD Organisational Change to provide additional focus in these areas. <p>Absence</p> <ul style="list-style-type: none"> • 2019/20 forecasted year end absence as at 31 Dec 19 at 13.1 WDL per FTE is a worse position than Q3 and off target for 2019/20 (10 WDL per FTE). • With the majority of this absence being short term (79%), less than 28 days, there is increased performance management and accountability at all levels to ensure robust challenge. • To ensure absence continues to be a top priority for all services, dedicated people management support is being provided in high impact services. • Scrutiny Management Board Task & Finish Group identified a number of recommendations which were presented to Cabinet on 30 Jan 2020 with all recommendations supported and now being progressed. Improving attendance performance will continue as a priority focus for both officers and elected

		<p>members.</p> <ul style="list-style-type: none"> The impact of this work will not be seen before the end of 19/20, but is anticipated to impact in 20/21. <p>Service Reviews and Reshaping</p> <ul style="list-style-type: none"> The Service Reviews programme is ongoing and those planned for Q4 will follow the agreed Management of Change process with regular updates to recognised Trade Unions and Portfolio Holders. These reviews will also be closely managed through DMTs and CMT to ensure the delivery of required change whilst carefully managing capacity and employee impact.
Corporate Risk 5 - Learning Disability Partnership Arrangements		
15	10	<p>There are two main causes of this risk; not having the financial resources transferred into the health and social care economy in Cumbria and lacking available, suitable and affordable service and support providers.</p> <p>Progress has been made in relation to the latter causal factor by the introduction of:</p> <ul style="list-style-type: none"> The Additional Needs Framework is in place and includes in excess of 30 Providers who have been assessed and able to meet the needs of people who are considered to be part of the “Transforming Care” Group. The Framework is opened on a regular basis with an increasing number of Providers expressing their desire to work in partnership with Cumbria County Council and the CCGs. Alongside the Framework the development of the Dynamic Support Registers and the Enhanced Community Models have been helpful in identifying early intervention and supporting existing support providers to deliver support to people at challenging times. The Dynamic support register is simply a register of individuals who due to current circumstances may be at risk of admission into hospital for assessment and treatment. The list, which includes children and young people is reviewed on a regular basis and people move on and off as their needs change. The Enhanced Community model is an additional team of professionals who work alongside existing providers offering support and guidance to prevent a hospital admission. <p>In relation to the transfer of resources into the health and care economy;</p> <ul style="list-style-type: none"> Considerable work has been undertaken with the CCG’s identifying new and existing funding streams and deconstructing the previous pooled fund arrangements. For most individuals, funding responsibilities are clear and the accountable organisation or organisations has been identified. There are however, a number of individuals for whom the funding arrangements have not been agreed that this may impact on any financial transfer resulting in a funding pressure for the Local Authority. Based on this potential funding pressure, a decision has been taken to maintain the risk score at 15 for Q3 and to review again at the end of Q4.

Corporate Risk 6 - Information Security Arrangements

<p>15</p>	<p>10</p>	<p>This risk is a combination of Data Protection and ICT Cyber Security threats and continues to remain above the end of year target score though this is anticipated to achieve the target by year end. The reasons for the score currently being above target are set out below;</p> <p>For Data Protection</p> <ul style="list-style-type: none">• Since the introduction of the revised GDPR legislation implemented in 2018 the Council has continued to drive improvements in data protection. The Phase 1 GDPR Implementation Plan (2017-2018) was designed to implement the legislation and embed areas of governance, policy, procedures and training. Phase 1 was implemented with the support of the GDPR Working Group.• From autumn 2018, any outstanding tasks identified by the GDPR Working Group were incorporated into a Phase 2 Data Protection Compliance (DCPR) Roadmap Action Plan, the aim of which is to reflect ongoing and emerging data protection risks and the activities required for the council to achieve data protection compliance. The Roadmap is currently being refreshed to identify next steps. Once this is completed and agreed with the SIRO, further assurance for managing this risk will be available and the risk score re-evaluated in Quarter 4. Oversight of all data breaches and their root causes is provided by a weekly SIRO Group ensuring that timely action is taken to escalate and take appropriate and preventive actions.• Ongoing awareness raising and mandatory training has progressively increased the number of data breaches and near misses being reported however, on investigation the majority of the reported breaches are the result of human error rather than a systemic or governance failure.• The ICO recently commented on one of our reported data breaches that was caused by human error, saying that in these types of cases there would be no further action taken by them and hence there will be no risk of financial penalty.• In light of this recent ruling by the ICO, a further review of all data breaches will take place to re-evaluate the level of detriment and reconsider the level of risk exposure to the Council. <p>For ICT Cyber Security</p> <ul style="list-style-type: none">• Cyber-attack regionally, nationally and internationally remains a high risk and the impact of this risk should it occur could be significant to the Council.• However, information security controls have been significantly strengthened over the last year to minimise the likelihood of an external cyber-attack and these security controls have been independently assessed with positive progress acknowledged. <p>Overall Risk level</p> <p>Balancing the ongoing cyber security threat levels internationally and the fact that Cumbria is not yet achieving a sustained reduction in the number of data protection related breaches and near miss incidents, it is felt prudent that a further period of time during</p>
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		Quarter 4 is required to further embed those controls documented in Appendix 2 into operational practice.
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- 4.13 At the end of Quarter 4, there was no change to the actual risk scores and the three corporate risks listed in Table 4 above did not meet their end of year target scores for the reasons provided.

Horizon Scanning: notable Emerging Risks during Quarter 3 & 4

Brexit Planning

- 4.14 The implications of Brexit remain an emerging risk. The General Election on 12 December 2019 led to the Government ceasing preparations for a No Deal Brexit on 31 January 2020. The Secretary of State for Housing, Communities and Local Government wrote to the Council's Chief Executive on 24 December 2019 to confirm this. Subsequently the EU Withdrawal Act 2020 was passed by Parliament and the UK formally exited the European Union – with an Agreement - on 31 January 2020.
- 4.15 Since the Quarter 3 risk report, the EU Withdrawal Act 2020 was passed by Parliament and the UK formally exited the European Union, with an Agreement, on 31 January 2020.
- 4.16 The UK's exit on 31 January triggered the beginning of a Transition Period which is scheduled to end on 31 December 2020, and triggered the next phase of UK negotiations with the EU on future arrangements. During the Transition Period legislative and regulatory frameworks, and trading relationships, remain largely the same as pre-31 January. In this context, no significant impacts have emerged since 31 January and the arrangements from 2021 onwards remain uncertain.
- 4.17 UK / EU trade negotiations have been disrupted as a result of the coronavirus epidemic and in addition, the UK/EU agreed at the end of June not to extend the Brexit Transition period beyond 31 December 2020. As Brexit negotiations continue, the Council will be tracking and analysing Brexit related risks and implications and will put any necessary preparations and measures in place in the run up to the scheduled end of the Transition Period at the end of this year. This work will no doubt be affected by the context of the coronavirus outbreak and its associated impact.
- 4.18 The Brexit process is initiating a significant package of reform of (post EU) UK policy and legislation which is likely to be introduced over a number of years and which, individually and cumulatively, will lead to substantial change to the Council's operating environment. These developments will also be monitored and any future risks identified to inform decision-making and activity. National developments and government planning assumptions for Brexit remain under review.

- 4.19 Preparation for the operational impact of a No Deal Brexit has been undertaken over the last 18 months, including planning for a range of scenarios and these preparations will be kept under review over the coming months.

Climate Change

- 4.20 The County Council is Joint Chair of the Cumbria Climate Change Working Group (CCWG). A carbon baseline report has been commissioned to provide a district level cross sector breakdown of carbon emissions across Cumbria.
- 4.21 The CCWG will take a sector led response to the challenge of achieving a net zero carbon position for the county focussing on energy, transport, land use, housing and business. This represents a huge challenge for the county but a great opportunity to begin to move towards a decarbonised economy. Initially the group will work on achieving buy in from key partners and establishing clear work streams that can delivery carbon savings. This approach will allow partners to understand risk, feasibility of targets, where funding might be required and where policy changes may be needed.
- 4.22 The CCWG met in June with a focus on green business and green recovery. A further progress update will be provided in the Quarter 1 report.

5.0 RISK MANAGEMENT – FUTURE FOCUS

- 5.1 As mentioned earlier in the report, in the coming months we will be refreshing the Council's Corporate Risk Register and we will present our refreshed risk register within the Quarter 1 Risk Report at the September meeting.

OPTIONS

- 6.0 Options** - There are 3 options for Members to consider:
- 6.1 **Option 1** - Members agree that the content of the report and the appendices provides sufficient assurance that the current Risk Management arrangements are both robust and effective.
- 6.2 **Option 2** - Members agree that the content of the report and the appendices does not provide sufficient assurance that the current Risk Management arrangements are both robust and effective.
- 6.3 **Option 3** - Members identify any additional new or emerging risks or opportunities to be considered.

7.0 CONCLUSION

- 7.1 All Corporate Risks for Quarter 3 and Quarter 4, up to 31 March 2020, have been reviewed, updated and approved by Corporate Management Team and Cabinet Briefing.
- 7.2 The current Quarter 4 risk register contains 12 high or medium rated risks and work has continued to either manage or mitigate those risks.

Julie Crellin, Director of Finance (s151 Officer)

Date: 20 July 2020

Appendices

Appendix 1 Corporate Risk Summary Profile

Q4 2019/20

Appendix 2 Corporate Risk Register

Q4 2019/20

Electoral Division(s): *

** Please remove whichever option is not applicable*

Executive Decision

	No*
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Key Decision

*	No
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If a Key Decision, is the proposal published in the current Forward Plan?

		N/A
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Is the decision exempt from call-in on grounds of urgency?

	No*
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If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?

		N/A*
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Has this matter been considered by Overview and Scrutiny?
If so, give details below.

	No*
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Has an environmental or sustainability impact assessment been undertaken?

		N/A*
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Has an equality impact assessment been undertaken?

	No*	
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N.B. *If an executive decision is made, then a decision cannot be implemented until the expiry of the eighth working day after the date of the meeting – unless the decision is urgent and exempt from call-in and the Corporate Director has obtained the necessary approvals.*

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS

No previous relevant decisions.

CONSIDERATION BY OVERVIEW AND SCRUTINY

Not considered by Overview and Scrutiny.

BACKGROUND PAPERS

No background papers

RESPONSIBLE CABINET MEMBER

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