Agenda Item No: 7

RISK MANAGEMENT REPORT

To:	**Audit and Accounts Committee**		
Date:	**26th January 2016**		
From:	**Sue Grace, Director, Customer Services and Transformation**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/A**	*Key decision:*	**N/A**

Purpose:

- **To provide the Audit and Accounts Committee with the profile of Corporate risks faced by the Council**
- **To provide details of significant changes to the Corporate Risk Register since the last report to the Committee in September 2015**
- **To provide the Audit and Accounts Committee with the profile of risks faced by corporate and executive directorates**

Recommendation: **Audit and Accounts Committee comments on and notes the latest Risk Management Report.**

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1. BACKGROUND

1.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels across the Council, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved.

1.2 The risk management approach is encapsulated in 2 key documents:

- Risk Management Policy

  This document sets out the Council's Policy on the management of risk, including the Council's approach to the level of risk it is prepared to countenance as expressed as a maximum risk appetite. The Risk Management Policy is owned by the General Purposes Committee.

  The Risk Management Policy states that the Council aims to manage risk in a manner which is proportionate to the risk faced based on the experience and expertise of its senior managers, although this must be within the Council's risk appetite. Audit and Accounts Committee members are therefore reminded that accepting a residual risk score of amber is appropriate provided that an objective risk assessment has been undertaken.

- Risk Management Procedures

  This document details the procedures through which the Council will identify, assess, monitor and report key risks. The Risk Management Procedures document is owned by the Strategic Management Team (SMT).

1.3 The respective roles of the Audit and Accounts Committee and General Purposes Committee in the management of risk are:

- The Audit and Accounts Committee provides independent assurance of the adequacy of the Council's risk management framework and the associated control environment.

- The General Purposes Committee has an executive role in the management of risk across the Council in its role of ensuring the delivery of customer outcomes.

1.4 Risk Identification

The Council's approach to risk identification is described in the following extract from the Council's Risk Management Policy as approved by General Purposes Committee:

- Risk management should operate within a culture of transparency and openness where risk identification is encouraged and risks are escalated where necessary to the level of management best placed to manage them effectively;

- Risk management should be embedded in everyday business processes;

- Officers of the Council should be aware of, and operate, the Council's risk management approach where appropriate;

- Councillors should be aware of the Council's risk management approach and of the need for the decision making process to be informed by robust risk assessment, with General Purposes Committee members being involved in the identification of risk on an annual basis.

Ownership of the Corporate Risk Register (CRR) lies with SMT which reviews the Register on a quarterly basis, following an initial review by the Corporate Risk Group (CRG), chaired by the LGSS Head of Internal Audit.

Significant changes to the CRR are reported to General Purposes Committee and Group Leaders on a quarterly basis. On an annual basis General Purposes Committee and SMT will review the CRR to seek to ensure that all significant risks faced by the Council are reflected. This annual review is undertaken in co-ordination with the annual business planning process.

1.5 The CRR was reviewed by SMT on 16th November 2015. A report detailing significant changes to the CRR will be presented to the General Purposes Committee at its meeting of 2nd February 2016.

1.6 This report is supported by:

- The Corporate Risk Profile (Appendix 1)
- The Corporate Risk Register (Appendix 2 to be provided separately as an A3 colour version.)

2. CORPORATE RISK REGISTER UPDATE FROM SMT AND GROUP LEADERS

2.1 Following the review of the CRR by SMT on 16th November, SMT is confident that the CRR is a comprehensive expression of the main risks faced by the Council and that mitigation is either in place, or in the process of being developed, to ensure that each risk is appropriately managed.

Appendix 1 shows the profile of Corporate Risk against the Council's risk scoring matrix.

New risk 29: Failure to address inequalities in the county

This risk is currently included in the Public Health Risk Register. However, health inequality and inequalities more generally are a cross-cutting issue, with determinants that could be related to the full range of Council services and with consequences that could impact across the Council. As a result, Public Health Quality, Safety and Risk Group and Public Health Directorate Management Team proposed that the risk on either health inequalities or wider inequalities should be added to the corporate risk register. This recommendation was taken to Health Committee who agreed that the Public Health Directorate contribution to addressing the wider determinants of health inequalities was limited in scope, and therefore an addition to the corporate risk register regarding wider inequalities across the county should be proposed.

SMT agreed new corporate risk 29, Failure to address inequalities in the county

2.2 **New risk 30: Failure to deliver Waste savings/opportunities and achieve a balanced budget**

This risk is currently included in the Economy, Transport and Environment Risk Register. SMT agreed that this risk should be included on the Corporate Risk Register.

SMT agreed new corporate risk 30, Failure to deliver Waste savings / opportunities and achieve a balanced budget

2.3 A question was raised by the Audit and Accounts Committee in September on whether the City Deal should feature on the Council's Corporate Risk Register. In response, it was indicated that it was not currently on the Register but it was on the ETE Risk Register. The query was regarding whether there were implications of the City Deal Capital Programme on the Council's Capital Programme.

Initial Response from Bob Menzies, Service Director: Strategy and Development "City Deal doesn't warrant an additional risk over and above the general issue of recruiting and retaining the staff we need to deliver all our programmes.

In order to deliver City Deal we have over the last eighteen months filled existing posts that became vacant and which we would otherwise have left vacant, e.g. Head of Major Infrastructure Delivery (MID), Team Leader Public Transport Projects, and Two Project Manager posts in MID. We have also made four staff permanent who were employed on temporary contracts to deliver Cycle City Ambition Grant funded cycling infrastructure, and we have added two additional communications support officer posts to help with City Deal consultations. So in effect there are ten more posts in MID as a result of City Deal. All MID posts are charged to scheme budgets.

We haven't yet added any additional staff to Transport and Infrastructure Policy and Funding (TIPF) but in a no city deal world MID would probably have merged with TIPF with a further reduction in posts.

Between TIPF and MID we have a resource plan in place, and have identified the need to recruit further staff to deliver the rising workload as we move into next year.

There has been no impact on the delivery of the Council's Capital Programme from City Deal."

As a reply, the Committee wished to ask a further question of what the impact would be of failure to deliver the City Deal projects and sought a reply from the officer.

The following response was provided in response to the above question from Bob Menzies "The basis of the City Deal is that funding is split into three tranches. £100m has been provided for the first five years. Subsequent tranches of £200m for each of the next five years are subject to delivery of the initial tranche. The largest risk of non-delivery is therefore the loss of the further funding of £400m for years 6-15. While there is no direct financial impact on the Council, the impact of our inability to deliver infrastructure to support growth would be very considerable on the Greater Cambridge area and beyond.

Programmes for delivery of the larger projects are tight, having regard to the significant statutory and other processes needed prior to construction, and in consequence not all of the tranche 1 schemes will be fully completed within the initial five years. The Government will assess delivery by measuring each scheme against budget and programme, but the measures will not be set until the schemes are fully developed and committed.

It should be noted that the City Deal Board have prioritised £168m of schemes for tranche 1. While some of the additional funding will come from other sources such as developers, this also allows some contingency should projects take longer to develop, or are significantly scaled down or varied from the initial concepts in the bid following public consultation. Some funding has also been allocated for early development of tranche 2 projects, which will commence next year and provide a reserve list of projects."

SMT agreed that there is not a need for a separate risk on the Corporate Risk Register

2.4 Details in respect of Risks 29 and 30 are included in the attached Appendix 2.

2.5 Following the review of the CRR by Group Leaders on 7th January the following changes were proposed.

2.6 **Risk 9: Failure to secure funding for infrastructure**

Action 9. Steve Count had raised at GPC meeting a question around the New Communities and that the CFA led document was disconnected from the new communities work on the 'harder' infrastructure side and that we needed these linking together and to be a whole council response.

This will be discussed at the next Corporate Risk Group on 3rd February.

2.7 **Risk 27: The Pension Fund is materially under-funded**

The risk description to be re-worded to say The Pension Fund has the potential to become materially under-funded.

2.8 **Risk 29: Failure to address inequalities in the county**

Steve Count requested more actions against this risk.

This will be discussed at the next Corporate Risk Group on 3rd February.

3 SERVICE RISK

CORPORATE AND EXECUTIVE DIRECTORATE RISKS

3.1 The following table overleaf shows the profile of directorate risk across the Red, Amber, Green (RAG) range and comparison with the previous quarter's profile.

ANALYSIS OF DIRECTORATE RESIDUAL RISKS AS AT DECEMBER 2015

DIRECTORATE	Green		Amber		Red		Total	
	Nov	Dec	Nov	Dec	Nov	Dec	Nov	Dec
Children, Families and Education (CFA) (Dec-15)	2	2	13	13	1	1	16	16
Economy, Transport and Environment (ETE) (Aug-15)	0	2	16	17	1	1	17	20
Corporate (Apr-15)	0	0	7	7	0	0	7	7
Public Health (PH) (Dec-15)	2	2	19	22	0	0	21	24
TOTAL	**4**	**6**	**55**	**59**	**2**	**2**	**61**	**67**

The Table illustrates that there are 67 risks recorded in service risk registers. 65 of the risks are managed within the Council's stated risk appetite of a maximum score of 15 as defined in the Risk Management Policy. Actions are planned against the previously reported red risks for ETE and CFA.

4. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

Risk management seeks to identify and to manage any risks which might prevent the Council from achieving its 3 priorities of:

- Develop the local economy for the benefit of all
- Help people live healthy and independent lives
- Support and protect vulnerable people

Source Documents	Location
Corporate Risk Register	Box OCT1108 Shire Hall Castle Hill

	Cambridge, CB3 0AP