

Appendix 1

Annual Risk Management Report

Cambridgeshire County Council
2024/25

1. Background:

- 1.1. Risk Management is the process by which the Council understands and proactively considers the principal uncertainties and overall risks facing the organisation. Through effective risk management, we aim to optimise success by minimising threats. The objective is to ensure that risks that might impact upon the Council achieving its plans are identified and managed on a timely basis and in a proportionate manner.
- 1.2. The Accounts & Audit (England) Regulations 2015 require the authority to have a sound system of internal control, which includes effective arrangements for the management of risk. Robust risk management is an essential element of good organisational governance and a sound internal control system.
- 1.3. This Annual Risk Management Report provides an overview of key risk management processes and developments at Cambridgeshire County Council over the past 12 months. It supports the authority's Annual Governance Statement and the Code of Corporate Governance, as well as detailing the future areas of focus for further developing and enhancing risk management systems at the Council.

2. Risk Management Maturity Review

- 2.1. As part of the Council's ongoing risk management assurance program, an internal Risk Maturity Review was undertaken by the new Corporate Risk Manager in early 2025, to assess Cambridgeshire's risk management arrangements against the Association of Local Authority Risk Management (ALARM) Risk Maturity Framework.
- 2.2. A structured Risk Maturity Review ensures that the Council's approach to risk management aligns with best practice and evolving government legislation and public sector risk management standards. The model helps identify gaps and strengths in current risk practices, offering a structured framework to gauge how embedded and effective risk management is across the Council.

- 2.3. The last maturity review was conducted in 2023 in line with Institute for Internal Auditors (IIA) guidance. The Risk Management Strategy (2023-26) was developed in response to findings from this review, with reference to the updated guidance documents The Orange Book: Management of Risk - Principles & Concepts (April 2023) published by the UK Government.
- 2.4. The 2025 review aimed to assess how effectively risk management is embedded across the council and whether it supports decision-making, service delivery and sustainability. The findings from this review have informed an action plan, which is included in the updated Risk Strategy (see Section 3, below).
- 2.5. The new actions included in the updated Risk Strategy are designed to elevate the Council's overall maturity, and so they are not just a reflection of the maturity review, but are also forward-looking, seeking to embed risk management more deeply and effectively across all levels of the Council.
- 2.6. Key strategic initiatives include harmonising how risks are formulated across registers, promoting a consistent and disciplined approach to the way that risks are identified, articulated and evaluated. Other actions will include work to promote risk-based decision-making, particularly with regards to encouraging Directorates and officers to proactively consider risk as a source of opportunity as well as threat. The reintroduction of risk assurance processes (to be undertaken by the new Corporate Risk Manager) will enhance challenge within risk management processes, alongside targeted training and awareness initiatives which are intended to build capacity and foster a proactive risk management culture.

3. Risk Management Strategy

- 3.1. The Risk Strategy that was initially developed in 2023 was subsequently updated to reflect implementation of key actions, with the updated version covering the 2024-26 period. This was reviewed and endorsed by Strategy, Resources & Performance Committee on 9th July 2024.
- 3.2. Throughout the 2024/5 financial year, the Internal Audit & Risk Management team has been co-ordinating the implementation of actions within the Strategy. Some of the key actions completed in 2024/5 include:

Principle 1 - Governance and Leadership:

- An e-learning module on risk management, developed by Internal Audit and Risk, went live in March 2025 and is accessible to all officers.
- A risk communication plan was created and future delivery will be undertaken by the newly appointed Corporate Risk Manager.

Principle 2 - Integration:

- New input from Performance Management colleagues has been brought to the existing Corporate Risk Group, to create a new 'Corporate Risk &

Performance Group', emphasising the close connection between performance and risk management. A new Terms of Reference for the revised group have been agreed, with the first meeting taking place on the 2nd June 2025.

Principle 3 - Collaboration and Best Information:

- The Council successfully decoupled from the shared GRACE system with Milton Keynes CC, with a standalone system launched on 1 April 2025. Work is underway to finesse the new local system, including reporting.

Principles 4 and 5 Risk Management Processes and Continuous Improvement:

- A comprehensive assurance review of the Council's Risk Management Maturity has been completed.
 - The review also examined Corporate and Directorate-level risk registers and informed further action plans to update the Strategy 2025 - 26 for strengthening maturity across all levels of the Council.
 - These actions contribute to the Council's commitment to continuous improvement and support the development of a more mature, embedded risk culture.
- 3.3. An additional governance and assurance enhancement implemented during the 2024/25 period was the introduction of the Directorate Assurance Process. This initiative was developed in response to a request from the Audit & Accounts Committee for a formal mechanism to strengthen directorate-level accountability. Following discussions at CLT meetings throughout 2024, a process was agreed whereby each Executive Director provides an annual assurance report to the AAC. This assurance is linked to the Annual Governance Statement and includes the presentation of individual Directors' self-assurance statements.
- 3.4. The objective of this process is to provide the Committee with assurance regarding the effectiveness of governance agreements and compliance with internal controls within each Directorate's area of responsibility, thereby supporting the Committee's oversight functions. As of June 2025, the Adults, Health and Commissioning, Children, Education and Families and Place and Sustainability Directorates have completed and presented their assurance reports under this new process. This process complements risk management processes and gives additional opportunity for the Audit & Accounts Committee to explore how risk is managed through governance processes across the Council.
- 3.5. As noted in Section 2 above, the Risk Strategy has again been refreshed and updated for 2025/6. This takes account of the findings and recommended actions from the Risk Maturity Review, noting the actions which have been completed and adding new actions to be completed in year. This reflects the service's intentions to keep the Strategy as a live document and to regularly review and update the document.

- 3.6. The complete updated Risk Strategy 2025 – 28 can be found at Annex B to this report.

4. Risk Management Policy

- 4.1. A comprehensive update of the Risk Policy and supporting Risk Toolkit was completed in June 2024 and the updated Policy was then approved by the Strategy, Resources and Performance Committee. Cambridgeshire's Risk Management Policy formally outlines the Council's approach to managing risks; it sets the overarching principles, framework, and processes for identifying, assessing, managing, and monitoring risk. On the other hand, the Risk Management Toolkit is a more informal document, which aims to facilitate the practical application of the Risk Management Policy by providing officers with detailed guidance, templates and tools.
- 4.2. The Risk Management Policy has again been reviewed and refreshed for 2025, with the most notable update being the review of the Risk Appetite statements. This work, led by the CLT and facilitated by the Internal Audit and Risk team, involved a detailed review of existing appetite levels across key categories and benchmarking against best practices in the sector. The revised risk appetite statements provide clearer, more actionable guidance for officers and decision makers, ensuring that the Council's tolerance for risk is appropriately considered and consistently applied throughout all levels of planning and implementation.
- 4.3. In addition, further refinements to the Risk Toolkit, which provides operational guidance for officers on managing risk, are underway as a direct outcome of the recent Risk Maturity Review. These include updated guidance on risk identification, articulation and assessment. The enhanced guidance is intended to support improved formulation of risk statements- ensuring they are specific, measurable, and focused on root causes and potential impacts- thus enabling more effective control and mitigation planning.
- 4.4. The proposed updated Risk Management Policy is attached to this report as Annex C.

5. Cambridgeshire County Council Corporate Risk Register

- 5.1. The Corporate Risk Register has been updated throughout the year, reviewed by the Corporate Leadership Team (CLT) Risk & Assurance group and presented to the Strategy, Resources & Performance Committee and Audit & Accounts Committee at regular intervals.

- 5.2. There were two new risks added to the Corporate Risk Register in the 2024/5 year, which are set out below.

New Risk 13: “Arrangements to support people with Learning Disabilities result in poor outcomes due to uncertainty of decoupling of funding arrangements via section 75 agreement”:

- 5.3. Risk 13 was added to the Corporate Risk Register in February 2025, after being escalated from the Adults, Health and Commissioning Directorate Risk Register following an increase of the score to 16.
- 5.4. In March 2025, the Executive Director for Adults, Health and Commissioning provided the following background detail regarding the escalation of this risk to the Corporate Risk Register:

“The current arrangement for people with Learning Disabilities is being reviewed and the Council has served notice on the current Section 75 agreement. Adults, Health and Commissioning are managing the ending of this arrangement with health partners and continue to monitor the associated risks. The risk that the arrangements to support people with Learning Disabilities result in poor outcomes due to the uncertainty of decoupling and funding arrangements via section 75 agreement has been escalated to the corporate risk register. There are current actions underway to mitigate the risk which include:

- Focused action to manage the ending of the Section 75 Arrangements and management agreement including review of service delivery and financial arrangements.*
- Using external resources to manage the review of cases prior to the ending of the current arrangements.*
- Specific resources in place to support the delivery of the programme.*
- On-going relationship building with health colleagues.*
- Working closely with providers and maintaining regular communications with people who use services and their families/carers, to provide assurance on continuity of care.”*

- 5.5. Subsequently, at the June 2025 meeting of CLT R&A, the Adults Health & Commissioning Directorate proposed to reduce Risk 13 from a score of 16 to 10. The Executive Director of Adults, Health & Commissioning confirmed that the main reason for the decrease in the residual risk score is that:

“The ending of the Section 75 arrangement is now complete and many of the risks around this have been managed and reduced. The pooled budget arrangements are no longer in place and management arrangements have been agreed with Cambridgeshire and Peterborough Foundation Trust (CPFT) and the Cambridgeshire & Peterborough ICB to continue service delivery and management in an aligned way from the 1st of April 2025. Although due to the change in how packages will be funded there is a risk to some individuals

drawing on services in the immediate future, such as those individuals on a direct payment that a jointly funded, we have a number of controls (listed on this Risk Register) that will reduce both the impact and likelihood of those risks.”

- 5.6 CLT therefore agreed both to reduce the score of the risk and to de-escalate the risk from the Corporate Risk Register. Going forwards, the residual risk will be managed within the Adults Health & Commissioning Directorate Risk Register.

New Risk 14: “The Council’s governance on Health and Safety is inadequate”:

- 5.7. Following discussions at the CLT Risk and Assurance meeting in February 2025, the development of a new Health and Safety risk register was introduced as an action point. As a result, Risk 14 “The Council’s governance on Health and Safety is inadequate” was added to the register and subsequently discussed at the June CLT R&A meeting.

- 5.8. The Service Director for Human Resources provided the following background detail regarding the introduction of this risk to the Corporate Risk Register:

“The Council's Corporate Risk Register has not had a specifically identified risk focused on health and safety for some time. Given the size, scale and complexity of the organisation, it was agreed by the Corporate Leadership Team during the quarterly risk review that this was a gap in the register and should be rectified to set out the specific risks and mitigations in place in relation to health and safety due to the importance of the matters concerned and the level of risk they present.”

Corporate Risk Register Overview (as at June 2025):

- 5.7 A copy of the current Corporate Risk Register is attached to this report as Annex A, with the exception of Risk 8 ‘Risk that the Council is a victim of Cyber Crime’, which is attached as a separate confidential annex.

- 5.8 Please note, on the risk matrices, “RA” denotes the Council’s risk appetite; this has been updated in 2024 after review by the CLT and the updated approach includes:

- Tolerable risk appetite: Cambridgeshire County Council has defined its maximum risk appetite as not accepting a *residual risk score of 16 or more* as measured on the corporate Risk Scoring Matrix. This therefore represents the maximum tolerable risk position (i.e. the maximum level of risk with which the organization is willing to operate).
- Optimal risk appetite: Where risk owners have identified a target risk appetite below this risk appetite level, this is denoted with a “T”.

- 5.9 The following table gives an overview of the current status of the risks on the corporate risk register (Annex A), including information on the current risk scoring

compared to the scores at the previous report to Committee, and the direction of travel for each risk. Please note that, as discussed at the October 2024 meeting of Strategy, Resources and Performance Committee, the direction of travel for each risk is now shown as a RAG rating: red indicating that the risk has increased; amber indicating no change; and green indicating that the risk has decreased.

Table 1: Corporate Risk Register Overview, June 2025

Risk	Residual Risk Score Oct 24	Residual Risk Score Mar 25	Residual Risk Score June 25	Direction of Travel (RAG)	Last Reviewed
1. Risk that the Council's arrangements for safeguarding vulnerable adults fail.	15	15	15	→ (static)	07/05/2025
2. Risk of failure of the Council's arrangements to safeguard vulnerable children and young people.	15	15	15	→ (static)	15/05/2025
3. Risk that the Council does not have enough budget to deliver agreed short and medium term corporate objectives.	16	16	16	→ (static)	14/05/2025
4. Risk that a serious incident occurs, preventing services from operating and /or requiring a major/critical incident response.	12	12	12	→ (static)	13/05/2025
5. Risk of failure of corporate governance.	10	10	10	→ (static)	08/05/2025
6. Risk that the Council's workforce is not able to meet business need.	15	10	10	↓ (reducing)	14/05/2025
7. Risk of failure to deliver key Council services.	10	10	10	→ (static)	08/05/2025
8. Risk that the Council is a victim of cyber crime.	15	15	15	→ (static)	08/05/2025
9. Risk that the Council fails to comply with Information Governance legislation and industry standards	12	12	12	→ (static)	09/05/2025
10. Risk of failure of key contracts.	12	12	12	→ (static)	13/05/2025
11. Risk of failure of collaborative working.	12	12	16	↑ (increasing)	13/05/2025
12. Cambridgeshire County Council is not adequately prepared for the impacts of the	16	16	12	↓ (reducing)	25/06/24

Risk	Residual Risk Score Oct 24	Residual Risk Score Mar 25	Residual Risk Score June 25	Direction of Travel (RAG)	Last Reviewed
changing climate (*) ¹					
13. Arrangements to support people with Learning Disabilities result in poor outcomes due to uncertainty of decoupling of funding arrangements via section 75 agreement.	N/A	16	10 (de-escalated from CRR)	↓ (reducing)	14/05/2025
14. [NEW] The Council's governance on Health and Safety is inadequate	N/A	N/A	15	[NEW]	15/05/2025

5.10 Risk 11 “Risk of failure of collaborative working” has increased from 12 to 16, with the rationale provided by the Executive Director of Strategy and Partnerships as reflecting the level of change in the operating environment for the council. The overlapping programmes of public service reform initiated by central government - within local government, the ICS and the NHS - the local political changes and revised priorities, following the recent elections, and changes in senior roles and structures within key partner agencies are likely to mean that collaboration becomes more difficult in the coming period.

5.11 Risk 12 “Cambridgeshire County Council is not adequately prepared for the impacts of the changing climate” has been reduced from 16 to 12. The CLT R&A meeting reviewed the risk in February 2025 and was of a view that the risk level can be reduced owing the controls that are currently in place. The Executive Director of the Places and Sustainability Directorate stated that:

“An action plan has been developed with key actions to ensure that climate risk is adequately considered in the Council’s decision making processes and service delivery. This includes:

- *Governance – implementation and review of climate risk in business planning processes*
- *Climate change risk assessment underway, to evaluate operations and planning for services across the organisation*
- *Incorporation of climate risk into the Joint Strategic Needs Assessment to ensure impacts on population health are communicated and addressed*
- *Training and engagement – new strategy to increase uptake of training and spread across the organisation*
- *Funding and resources committed for all of these actions*
- *Review of the effectiveness of the controls.”*

¹ Previously “Climate Change”

6. CLT Risk & Assurance Meetings

- 6.1. Cambridgeshire's Corporate Leadership Team carry out regular Risk & Assurance meetings. These formal meetings have a dedicated Terms of Reference intended to ensure regular, detailed senior management oversight of the Corporate and Directorate Risk Registers, to reflect on feedback from Committee and the Corporate Risk & Performance Group, and to develop corporate oversight of risk and key independent assurances.
- 6.2. The Corporate Leadership (CLT) Risk & Assurance group met regularly throughout the financial year, with meetings in July, September, November, February and June. These meetings serve as a platform for CLT to review and scrutinise the Corporate Risk Register, discuss risks escalated from Directorate Risk Registers and deliberate on emerging corporate risks and risk management practice.
- 6.3. During the June 2025 meeting, in addition to standing items on the agenda, the CLT R&A group reviewed red and 'borderline' risks (i.e. those with a risk score of 15 or higher) from directorate risk registers, reviewed the updated risk strategy and the outcomes of the Risk Maturity review undertaken, and considered this Annual Risk Report.
- 6.4. In addition to the above, the meeting reviewed a note from the former Chair of the Audit & Accounts Committee regarding the Committee's recommendations following a meeting between the Committee (AAC), the Council's external auditors KPMG, and the Head of Internal Audit & Risk Management. In particular, one of the recommendations from the Committee was for an independent provider to ensure that the Council's risk register is comprehensive.
- 6.5. The discussion at CLT noted that the current Risk Strategy (2024 – 2026 version) already incorporated a provision for CLT to "consider commissioning an external review of risk management arrangements" with a timeline for this to take place in 2026. It was noted that the new Corporate Risk Manager has recently completed a risk maturity review which involved benchmarking against ALARM guidance, providing a degree of independent assessment of the Council's risk management processes; and also noted that the Council's external auditors KPMG do review risk management processes as part of their Value for Money work, which is taking place earlier in the new financial year. The group agreed that their view is that internal risk management is subject to continuous improvement and that capacity has been strengthened further by the appointment of the new Corporate Risk Manager in February 2025. It was therefore agreed that the approach will be to continue implementation of the existing Risk Strategy, which will include an external assessment in 2026. The nature and focus of this assessment will be agreed by a future discussion at CLT R&A.

7. Directorate Risk Registers

- 7.1. Directorate Management Teams maintain their own risk registers and formally consider risk on a regular basis. Directorate Risk Registers are due to be reported to the relevant Committee on a routine basis, and are also scrutinised at CLT Risk & Assurance meetings.
- 7.2. To streamline the reporting process for Directorate Risk Registers (DRRs), the Internal Audit & Risk Management team has developed a standardised template for presenting DRRs to the relevant committees. This template approved by the CLT Risk and Assurance group, aims to promote consistency in the information provided to Committees when DRRs are reported.
- 7.3. The Risk Maturity Review examined the risk assurance perspective when it came to DRRs especially in terms of the reporting mechanisms to Council level Committees. It noted that even though some Directorates had consistently presented their risk registers to the relevant committees, others did not do so in the same consistency. As such, an action point (no.8) which is included in the updated Strategy is for the Corporate Risk Manager to provide risk assurance reporting which includes compliance with Directorate Risk Reporting requirements and other requirements of the Policy, such as:
- The status of register updates (timeliness, completeness).
 - Consistency and clarity of risk articulation across registers
 - Observations on risk scoring, control measures and action planning
 - Overview of assurance actions undertaken (deep-dives, sample checking) and key themes or gaps identified
 - Follow up actions or improvements implemented

8. Risk Management System

- 8.1. The Council's current corporate risk management system is GRACE (Governance, Risk & Control Evaluation), which was a system shared with Milton Keynes Council, formerly part of the shared LGSS Internal Audit & Risk Management service. GRACE is a specialist risk management and audit software which was developed for use within the UK public sector.
- 8.2. Cambridgeshire was given notice by Milton Keynes Council in May 2024 of their intention to terminate this shared system arrangement. In line with the Council's procurement policy, three quotes were obtained for comparison across different available risk management systems. Each option was assessed for functionality, compliance and value for money and the results discussed at a CLT Risk & Assurance meeting. The selected system met all requirements and was significantly less costly and more flexible than the other two alternatives.

- 8.3. The Council undertook extensive preparations to decouple from the shared system, focusing on data readiness and migration protocols. As of 1st April 2025, the Council successfully transitioned to a standalone system, with all risk registers securely and accurately transferred.

9. Corporate Risk and Performance Group

- 9.1. The reintroduction of the Corporate Risk Group in 2023 has been a key development in strengthening the Council's risk governance and cross-organisational collaboration. Comprising officers from a diverse range of service areas, the group meets at least four times a year and has been active in the past year.
- 9.2. Sessions facilitated by the Internal Audit and Risk team have included targeted risk training and valuable presentations from members on specialist topics such as health and safety risks and contract risk management. The diversity of perspectives and knowledge sharing fosters a more holistic understanding of risk across the organisation and supports continuous learning and improvement. The sessions also include an opportunity for members to provide feedback on and challenge the Corporate Risk Register.
- 9.3. A further milestone, aligned with the Risk Management Strategy's action plan, has been the merging of this group with the performance function to form the Corporate Risk and Performance Group. This integration is crucial, as it recognizes the interdependence between risk and performance management - ensuring that risks are not only identified but actively managed in the context of service delivery and strategic objectives.

10. Role of Internal Audit & Risk Management service

- 10.1. The Head of Internal Audit & Risk Management at Cambridgeshire County Council has a role encompassing both Internal Audit and Risk Management support. Responsibility and accountability for implementing risk management activity is retained by management at Cambridgeshire County Council, including the assessment, control and mitigation of risk. The role of the Internal Audit & Risk Management service is to provide advice, support and facilitation for this process, rather than to undertake risk management activity directly, in order to maintain its independence.
- 10.2. A dedicated Corporate Risk Manager was appointed in February 2025. The introduction of this role marks a significant step in enhancing the Council's approach to risk management. The role will work to support consistent application of risk processes across all service areas and Directorates. It also provides strategic oversight, helping align risk practices with corporate objectives and best practice standards. The Corporate Risk Managers will support informed decision

making by improving visibility and understanding of key risks and embedding a positive risk culture.

- 10.3. Throughout 2024/25 the Internal Audit & Risk Management service has provided advice and guidance to services across the organisation on risk management; supported the update and review of corporate and directorate risk registers; and has facilitated risk workshops and both the CLT Risk and Assurance meetings and the Corporate Risk Group.
- 10.4. The service has also actively supported various internal Local Government Reorganisation (LGR) related initiatives by facilitating risk sessions within the LGR Working Group and at CLT meetings. These sessions have helped identify and assess key risks associated with the reorganisation process. In addition, the team is engaging with a range of stakeholders to ensure that risks are appropriately captured and managed. This collaborative approach aims to strengthen risk awareness and promote consistent risk management across the Council.
- 10.5. In support of continuous improvement, a training plan has been developed by the Internal Audit and Risk Management team for key governance roles including Elected Members, the Corporate Leadership Team (CLT), and the newly merged Corporate Risk and Performance Group (CRPG). This plan will be embedded as a key action within the forthcoming updated Risk Management Strategy, reinforcing a consistent and informed approach to risk oversight across all levels of risk roles.
- 10.6. To further embed a culture of risk awareness, the Internal Audit and Risk team in liaison with Learning and Development launched a new e-learning module on Risk Management. This resource is available to all Council staff and aims to strengthen foundational knowledge of risk management.

11. Looking Forward and Next Steps:

- 11.1. The next steps for further developing and enhancing the effectiveness of risk management activity at Cambridgeshire County Council are set out in the updated Risk Management Strategy, which is attached at Annex . The elements of Cambridgeshire County Council's Risk Strategy are aligned to the five key principles set out in the document *The Orange Book: Management of Risk – Principles & Concepts* (April 2023) published by the UK Government. These principles are: governance and leadership; integration; collaboration and best information; risk management process; and continuous improvement.
- 11.2. Progress with implementation of the Risk Strategy will be reported to CLT Risk and Assurance meetings and on to Strategy & Resources and Audit & Accounts Committee. Implementation of the actions outlined in the Risk Strategy will support

the Council in moving towards a consistently 'risk enabled' approach to risk management.