

RISK MANAGEMENT REPORT

To: **Audit and Accounts Committee**

Date: **22nd September 2015**

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 June 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 17th August 2015. A report detailing significant changes to the CRR will be presented to the General Purposes Committee at its meeting of 15th September 2015.
- 1.6 This report is supported by:
 - The Corporate Risk Profile (Appendix 1)
 - The Corporate Risk Register (Appendix 2)

2. CORPORATE RISK REGISTER UPDATE

- 2.1 Following the review of corporate risk by SMT on 17th August, 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.

Risk 1a and 1b: Failure to produce a robust and secure Business Plan over the next 5 years and Failure to deliver the current Business Plan

The Corporate Risk Register currently scores the residual risk of failure to produce a Business Plan as red and residual risk of failure to deliver the current Business Plan as amber.

The Children, Families and Adults (CFA) Risk Register scores them the other way round, i.e. failure to produce a plan amber and failure to deliver the plan red. CFA Management Team consider that as the production of a Plan is

within their control, it should not be rated red, because they can control the likelihood of this happening. However, the risk of not delivering the Business Plan should be red, given the financial pressures and that this risk should closely track the Finance and Performance Report forecast.

The Strategic Finance Manager advised that the Council as a whole, has more financial resources than CFA as a directorate and so the overall forecast outturn could differ from that of CFA; however the rationale for a difference in production of a plan is not as clear.

On the whole the CRG felt that risk 1a should have a lower residual risk than 1b as the risk of not achieving a challenging Business Plan will be higher than not setting one in the first instance. The group also felt that the residual risk of not delivering the Business Plan should be continually assessed.

SMT was asked to consider the risks 1a and 1b and advise on the residual risk scores

SMT agreed to increase the residual risk of 1b to that of 1a

Risk 1b: Failure to deliver the current Business Plan

Group Leaders requested the risk description should be changed to clarify that it is a 5 year plan. Risk Description has been changed to 'Failure to deliver the current 5 year Business Plan'.

Risk 15: Failure of the Council's arrangements for safeguarding vulnerable children and adults

At the CRG the Head of Internal Audit challenged the wording of the risk and commented that the risk is the harm to the children and adults, not a failure of arrangements. The arrangements are there to manage the risk but they themselves are not the risk, although failure of those arrangements would increase the likelihood of the risk occurring. A further concern was that members and stakeholders may not fully understand the risk as currently described, and assume that the Council's arrangements are robust enough to reduce the probability of harm coming to any vulnerable citizen in the County. There are some risks that will remain unaltered from inherent to residual, regardless of mitigation actions, and that should not be seen as a weakness, just an honest assessment of reality. By keeping the risk at red, there is an increased level of scrutiny and awareness which should act to ensure key mitigation controls are routinely modernised and complied with.

The counter view is that as CCC cannot stop all harm from occurring to children and adults the residual risk would need to remain red regardless of the arrangements in place. Consequently, CFA management team changed the wording of the risk from '*failure to safeguard children and adults*' to the current wording in April 2014. CFA management team decided to make the change as they felt that the risk should reflect the failure of Council arrangements not the harm.

The same risk in the CFA Risk Register has slightly lower scoring than the Corporate Risk Register. The CFA risk register scores the inherent risk as

probability 5 and impact 4 (20) and residual as probability 3 and impact 4 (total score 12).

After a thorough debate, CRG could not reach agreement as to whether the wording and scoring should remain as it is and asked for SMT to decide.

SMT was asked to determine the wording of risk 15 and the residual risk score

SMT confirmed that the risk is that of the council's system failing and therefore risk 15 descriptor and scores should remain the same

Risk 14: Increased demand for services arising from increased financial and social pressure on individuals, families and communities, and, Risk 16: Lack of capacity to resource future demand for services in respect of children and adults

The CRG recommended that these two risks are removed and replaced with one risk: Risk 28 '*Lack of capacity to respond to rising demand for service provision*'.

Currently the CFA risk register does not include the two risks from the corporate risk register. Removing these two risks and replacing with the one suggested above will align the CFA risk & Corporate Risk Registers.

SMT was asked to agree replacing risks 14 & 16 with (new) risk 28

SMT agreed to the suggestion

New Risk 27: The Pension Fund is materially under funded

The Audit and Accounts Committee and the Pension Committee have been made aware that NCC has this risk on their Corporate Risk Register and have proposed that this risk is replicated on the CCC Corporate Risk Register due to funding levels being largely dependent on external factors.

SMT was asked to agree new corporate risk 27, the pension fund is materially under funded

SMT agreed to the suggestion

- 2.2 Details in respect of Risks 1b, 27 and 28 are included in the attached Appendix 2.

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 AUGUST 2015

DIRECTORATE	Green		Amber		Red		Total	
	May	Aug	May	Aug	May	Aug	May	Aug
Children, Families and Education (CFA) (Aug-15)	2	2	12	13	2	1	16	16
Economy, Transport and Environment (ETE) (Aug-15)	0	0	18	16	1	1	19	17
Corporate (Apr-15)	0	0	7	7	0	0	7	7
Public Health (PH) (Aug-15)	2	1	17	18	1	0	20	19
TOTAL	4	3	54	54	4	2	62	59

The Table illustrates that there are 59 risks recorded in service risk registers. 57 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. The previously reported red risk for PH 'Failure to address health inequalities, particularly in the north of the county' has been reduced to an amber risk as the actions have been implemented and agreed by the Health Committee. CFA management team reduced the score for 'Failure to provide a well-qualified and effective workforce where it is needed' to amber in light of the recent recruitment and retention work which includes the establishment of a cross directorate Strategic Recruitment and Workforce Development Board and the task and finish group and the development of a cross directorate Recruitment and Retention Strategy.

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