

**CORPORATE RISK MANAGEMENT – QUARTER 4 2017/18**

**REPORT OF CORPORATE DIRECTOR RESOURCES      AGENDA ITEM: 8.2**

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**Reason for this Report**

1. To update Audit Committee on the risk management position at the end of quarter 4 2017/18.
2. The Audit Committee's Terms of Reference sets out their responsibility:
  - To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council, and;
  - To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register (CRR).

**Background**

3. Audit Committee receives a risk management update each financial quarter, with an opportunity to raise comments. The last Audit Committee review was on 27 March 2018, at which time the risk management position at quarter 3 2017/18 was presented.
4. Each Directorate holds a Directorate Risk Register (DRR), and the Senior Management Team (SMT) collectively own a Corporate Risk Register (CRR). The CRR records the main risks to the delivery of corporate objectives and priorities, whilst the DRRs record the key risks to the delivery of Directorate functions and priorities.
5. A risk escalation process is in place, whereby each Director is required to take ownership of all residual (current) risks rated as 'red/amber' and above on their DRR and, at a minimum, to escalate all 'red' residual risks to SMT for collective ownership and review.
6. SMT determine if any changes are required to the CRR each quarter as a result of this reporting process. The remaining escalated risks continue to be held on DRRs and reviewed by SMT each quarter until it is agreed that mitigation is sufficient for risk ownership to transfer back to the Directorate.

**Issues**

7. Each Director has worked with their Risk Champion(s) to undertake their quarter 4 risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter 4 risk assessments are presented on the Corporate Risk Map (Appendix A), the Summary CRR (Appendix B) and the Detailed CRR (Appendix C).

8. The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter 4 are detailed as follows.

### Directorate Risks

9. At the end of quarter 4, 343 risks were reported from DRRs. All escalated risks and requests for de-escalation were discussed and approved in SMT on 22 May 2018.
10. It was approved that 10 directorate risks would be carried forward as SMT escalated risks at the end of quarter 4.

Directorate	Resources	City Operations	Communities, Housing & Customer Services	Economic Development	Education & Lifelong Learning	Social Services	Governance & Legal Services
Directorate Risks	118	43	60	80	19	16	7
Risks at SMT Escalation Point	2	1	1 (shared)	2 (inc.1 shared)	3	1 (shared)	2 (inc.1 shared)

### Corporate Risks

11. SMT collectively reviewed the escalated directorate risks and corporate risk updates from risk owners as at the end of quarter 4. In consideration of the potential impact on corporate priorities and objectives and the supporting mitigations, SMT approved the following CRR changes on 22 May 2018.
12. **Financial Resilience** – The risk has been refocused as the aggregation of two corporate risks (Budget Prioritisation and Financial Resilience), with the overall risk moving from C2 to B2. The Budget Challenge focuses on both the year coming and the medium term. As per the 2018/19 Budget Report there is a £34 million budget gap for 2019/20 and a further £57 million gap for the following two years. The risk to Financial resilience is both in respect of the forthcoming year 2019/20 and the medium term (2020/21 and beyond). As a result it is time to aggregate the two risks to Financial Resilience. This will provide further clarity and focus to the reader of the risk register and also emphasises that the Budgetary challenge is an ongoing long term risk which requires a coordinated set of risk mitigations.
13. **Fraud Bribery and Corruption** – The residual risk has been reassessed as C2 (formerly B3). The significance given to robust stewardship, a culture of accountability and zero tolerance to impropriety has been reinforced in the Council’s refreshed Fraud, Bribery and Corruption Policy. With the importance given to this area, the risk has been reassessed as having a potential significant impact on the Council, but all indications are that the potential for impropriety is isolated to a minority of areas, in which efforts are being made to strengthen the internal control environment. The assessment is and will continue to be based on management assurances and the independent work of the Internal Audit function.
14. **Schools Organisation Programme** – The risk has been refocused to the Band B phase, and the residual risk has been assessed as C1 (formerly C3). A significant proportion of Band A of the Schools Organisation Programme has been delivered to date. There is now £64million left being constructed on site and that will be complete by February 2019. Focus will now begin to switch to delivering 21<sup>st</sup> Century Schools Band B, for which the funding bid was submitted to Welsh Government in July 2017. The

Strategic Outline Case for £284m was approved in November 2017 and two Cabinet Reports in October and December outlined the priorities for this second phase of work.

15. **Performance Management** – The risk has been refocussed in quarter four to ensuring arrangements in place are embedded, applied consistently, and continue to develop in light of the evolving environment the Council operates within. Although the organisation needs to avoid complacency (and does), the Council is no longer in a situation where clear warnings about performance, and the approach to managing it, have been issued by external regulators. Instead, the work done over the last few years has improved the Council's approach to performance management, and that has led to improved performance in many key areas. While the Council faces performance challenges, namely how to continue to improve service provision with reducing finances and demographic growth, the nature of this challenge has shifted dramatically since Performance Management was originally included on the Corporate Risk Register.

### **Reason for recommendation**

16. To enable the Audit Committee to monitor and consider the quarter 4 risk management position 2017/18.

### **Legal Implications**

17. There are no direct legal implications arising from this report. However, one of the benefits of identifying risk is that mitigation measures may be taken, if appropriate, and consequently successful claims against the Council may be avoided altogether, or reduced.

### **Financial Implications**

18. There are no direct financial implications arising from this report. The Corporate Risk register will be used to guide the Internal Audit Plan and the Council's resource planning processes and forms an important part of the governance arrangements for the Council.

### **Recommendation**

19. Audit Committee to note and comment upon the risk management activity and the contents of the Corporate Risk Register, and to consider the information given in the programming of its work.

### **CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES**

The following Appendices are attached:

<b>Appendix A</b> - Corporate Risk Map	- Q4 2017/18
<b>Appendix B</b> - Summary Corporate Risk Register	- Q4 2017/18
<b>Appendix C</b> - Detailed Corporate Risk Register	- Q4 2017/18