

AUDIT COMMITTEE: 10 SEPTEMBER 2019

CORPORATE RISK MANAGEMENT - QUARTER 1 2019/20

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 6.1

Reason for this Report

1. To update Audit Committee on the risk management position at quarter 1 2019/20.
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 the opportunity to make comments. The last Audit Committee review was on 25 June 2019, at which time the risk management position at quarter 4 2018/19 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. As a result of this reporting process, SMT determine if any changes are required to the CRR each quarter. 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.
7. Quarter 1 risk assessments continue to apply the 4x5 Risk Matrix introduced in January 2018.

Issues

8. Each Director has worked with their Risk Champion(s) to undertake their quarter 1 risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter 1 risk assessments are presented

on the Corporate Risk Register Summary Snapshot (Appendix A) and the Detailed Corporate Risk Register (Appendix B).

9. The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter 1 are detailed as follows.

Directorate Risks

10. At the quarter 1 position, 221 risks were reported from DRRs. All escalated risks and requests for de-escalation were discussed and approved in SMT on 13 August 2019.
11. It was agreed that 10 directorate risks would be carried forward as SMT escalated risks at quarter 1.

Directorate	Directorate Risks	Risks at SMT Escalation Point
Economic Development	20	1
Education	12	0
Governance & Legal Services	9	1 (Shared)
Housing & Communities	35	2
Performance & Partnerships	3	1
Planning, Transport & Environment	26	1
Recycling & Waste	5	0
Resources	86	2
Social Services	25	3 (1 Shared)
Total	221	10

Corporate Risks

12. SMT collectively reviewed the escalated directorate risks and corporate risk updates at the end of quarter 1. In consideration of the nature of each risk, the potential impact on the organisation and its corporate objectives and the supporting mitigations, the following material changes were made to the CRR.

13. **Brexit**

With the UK Government having committed to leaving the EU on 31 October 2019 with or without a deal, the Brexit Corporate Risk has been reviewed and updated given that the likelihood of the UK leaving the EU without a deal has substantially increased since the Q4 2018/19 update.

Including Brexit within the Corporate Risk Register helps ensure that the Council has appropriate processes in place to reasonably plan, prepare and respond to any identified issues which may occur as a consequence of Brexit. The work has included a review of Business Continuity Plans and Emergency Planning Arrangements, as well as the production of Assurance Statements by Directorates confirming that arrangements are in place to respond to issues identified by local, regional and national planning work. This approach has also allowed the Council to identify issues, either during the short-term period immediately before and after Brexit or over the medium to longer-term period following Brexit, which may require planning or mitigation.

Managing the Corporate Risks allows the Council to satisfy itself that appropriate processes and governance structures are in place to ensure an informed and coordinated approach to Brexit at the local, regional and national level.

14. Education – Schools’ Delegated Budgets

Risk description revised at quarter 1. Previously the risk focused on those schools with existing deficit budgets not delivering their agreed deficit recovery plans, where the wider risk in respect of schools’ delegated budgets includes the potential for an increase in the number of schools in deficit and/or the overall value of deficit budgets. In reviewing the risk, ratings have also been considered and updated, and as a result, the residual risk rating has reduced from red (B2) to red-amber (C2). This recognises the relatively small number of schools applying to set a deficit budget for 2019/20, (lower than previously expected), the work being undertaken with schools to reduce some of the larger deficits, and the relative protection that continues to be afforded to schools’ delegated budgets.

15. Non-completion of Statutory Building Equipment Maintenance

Target reduction date extended to quarter 4 2019/20 from quarter 2 2019/20. The work ongoing in respect of Landlord/Occupancy Agreements is now expected to be completed by end of quarter 4 2019/20. As previously reported, the Agreement for Schools has been incorporated within the Schools Handbook and ‘one front door’ established to assist implementation.

16. Target Risk Ratings

In addition to the above changes, targeted risk ratings in respect of a number of corporate risks have been reviewed and revised, as follows:

Risk	Target Risk Rating		Target Date for Reduction
	Q4 2018/19	Q1 2019/20	
Financial Resilience	Red-Amber (C2)	Red-Amber (D2)	6-12 months
Budget Monitoring (Control)	Red-Amber (C2)	Red-Amber (D2)	12 months +
Schools Organisation Programme (Band B)	Red-Amber (C2)	Amber-Green (C3)	12 months +
Information Governance	Red-Amber (D1)	Red-Amber (D2)	6-12 months
Increase in Demand (Children’s Services)	Red (C1)	Red-Amber (D1)	12 months +
Education – Schools’ Delegated Budgets	Red-Amber (B3)	Red-Amber (D2)	12 months +
Fraud, Bribery & Corruption	Red-Amber (D2)	Amber-Green (D3)	12 months +

Reason for Recommendation

17. To enable the Audit Committee to monitor risk management activity, and consider the Risk Management Review - Quarter 1 2019/20.

Legal Implications

18. 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

19. 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.

RECOMMENDATIONS

20. 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.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
10 September 2019

The following Appendices are attached:

Appendix A - Corporate Risk Register Summary Snapshot – Q1 2019/20
Appendix B - Detailed Corporate Risk Register – Q1 2019/20