

CORPORATE RISK MANAGEMENT – QUARTER 2 2018/19

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 6.1

1. To update Audit Committee on the risk management position at the end of quarter 2 2018/19.
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, and an opportunity to raise comments. The last Audit Committee review was on 18 September 2018, at which time the risk management position at quarter 1 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. 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.
7. The Council's Risk Management (RM) Strategy and Policy was approved by Cabinet on 12 July 2018. Prior to approval, Audit Committee considered the draft RM Strategy and Policy on 30 January 2018, which introduced a 4x5 Risk Matrix.
8. The quarter 2 risk assessments have applied the 4x5 Risk Matrix, in which the assessment of 'Impact' follows the previous Matrix, but the 'Likelihood' assessment scale has expanded to include 'Possible'. The 'Likelihood' scale now comprises 'Very Likely', 'Likely', 'Possible', 'Unlikely' and 'Very Unlikely'.

Issues

9. Each Director has worked with their Risk Champion(s) to undertake their quarter 2 risk management review. The quarter 2 risk assessments are presented on the Corporate Risk Map (Appendix A), the Summary CRR (Appendix B) and the Detailed CRR (Appendix C).
10. The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter 2 are detailed as follows.

Directorate Risks

11. At the end of quarter 2, 269 risks were reported from DRRs. All escalated risks and requests for de-escalation were considered by the SMT in October 2018.
12. It was agreed that 11 directorate risks would be carried forward as SMT escalated risks at the end of quarter 2.

Directorate	Resources	People and Communities	Planning, Transport and Environment	Economic Development	Education & Lifelong Learning	Social Services	Governance & Legal Services
Directorate Risks	118	38	29	26	33	17	8
Risks at SMT Escalation Point	4	1 (shared)	3	1 (shared)	2	1 (shared)	1 (shared)

Corporate Risks

13. The SMT reviewed the escalated directorate risks and corporate risk updates from risk owners as at the end of quarter 2. In consideration of the potential impact on corporate priorities and objectives and the supporting mitigations, the following material CRR changes were agreed.
14. **Schools Delegated Budgets** - The Residual risk increased from 'Red/Amber' to 'Red'. Whilst the Medium Term Financial Plan of the Council indicates a continued protection of school delegated budgets from general efficiency savings, it is highly likely that some of the proposals for savings on central Education budgets will have an impact on school delegated budgets. The impact of these proposals will be compounded by the increasing impact of the requirement to fund the revenue financing costs arising from the Band B and Asset Renewal capital Investment schemes from schools delegated budgets. Work has commenced through the School Budget Forum to improve medium term financial planning in schools this will not have an immediate impact on schools in the 2019/20 financial year.
15. **ICT Platforms Unsuitable / Outdated** – The impact of the residual risk has increased from Likely / Moderate Impact) to B2 (Likely / Significant Impact). Reviewing this risk against the new *Risk Matrix and Definitions* guide and considering the authority's increased appetite to consume cloud services, there is increased potential impact to service areas that are using incompatible technologies. There are also a significant number of end-user workstations, network switches and server infrastructure technologies that are coming to the end of their supported life en masse in the next couple of years which will require council significant resources, finance and effort to replace. An in depth review of this risk is currently being undertaken and recommendations on any mitigation actions as well as a schedule of prioritised

investment to further reduce the risk will be an output of this review. The review is expected to complete by December.

16. **Increase in Demand (Children's Services)** - Following the recent changes to the Risk Management Strategy and Policy, Social Services have reassessed corporate risks in light of the addition of the "Possible" category in relation to the likelihood of the risk occurring. In the case of the risk re: "Increase in Demand (Children's Services)", the likelihood of "Possible - Not likely to occur, but a distinct possibility" is assessed as being more appropriate than "Unlikely – Not expected to happen, but there is the potential". This is based on the evidence that the number of looked after children is continuing to increase and reached the highest reported number of 869 at the end of Quarter 2. There is an associated increase in the number of looked after children who are placed outside Cardiff. Positive outcomes for children and financial position of the Council in are at risk particularly due to the increased number of residential placements.
17. **Asset Management** – The risk had been removed from the corporate risk register, as governance arrangements for the effective operation of the Council's Asset Management Board are now well established to deliver the 2015-20 Corporate Property Strategy. Management actions to control any residual risk will be addressed by the directorate at an operational level, for example, the implementation of a new technology platform to assist with managing the estate. The risk related to statutory building equipment maintenance compliance will remain on the CRR for discussion at SMT.

Reason for recommendation

18. To enable the Audit Committee to monitor and consider the quarter 2 risk management position 2018/19.

Legal Implications

19. 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

20. 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

21. 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:

Appendix A - Corporate Risk Map	- Q2 2018/19
Appendix B - Summary Corporate Risk Register	- Q2 2018/19
Appendix C - Detailed Corporate Risk Register	- Q2 2018/19