

**CORPORATE RISK MANAGEMENT – QUARTER 2 2018/19**

**FINANCE, MODERNISATION & PERFORMANCE (COUNCILLOR  
CHRIS WEAVER)**

**AGENDA ITEM: 7**

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1. To bring the risk management position at quarter 2 2018/19 to the attention of the Cabinet, for consideration of the key risks facing the Council.

**Background**

2. The Cabinet receives an update on the risk management position on a biannual basis, and an opportunity to raise comments. The last Cabinet review was on 12 July 2018, at which time the risk management position at quarter 4 2017/18 was presented.
3. 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.
4. 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.
5. 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. The corporate risk management position is reported to, and considered by, the Audit Committee on a quarterly basis.
6. Cabinet approved the Council's Risk Management (RM) Strategy and Policy on 12 July 2018, which introduced a 4x5 Risk Matrix. 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

7. 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).
8. 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

9. 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.
10. 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

11. 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, SMT has approved the following material CRR changes since the last Cabinet update on 12 July 2018.
12. **Waste Management** - The residual risk has increased (from C2 to B2) in recognition of the ongoing financial costs required to robustly service an ongoing investigation in the 'Waste' function whilst continuing to deliver services, and in anticipation of a potential material landfill tax liability. The potential landfill tax liability follows HM Revenue and Customs concerns over the Council's categorisation of soil deliveries to Lamby Way. A prudent valuation for the contingent liability together with other potential impacts on the Council's accounts are in the process of being quantified with the support of external consultants, senior and specialist officers in the Council's accountancy function.

13. **Health and Safety and Statutory Building Maintenance** - The 'Health and Safety' and 'Statutory Building Maintenance' residual risks have been reduced from B1 to B2. This is in recognition of improved conditional awareness of the Councils' estate achieved through the deployment of the RAMIS system, coupled with an educational programme for relevant officers in their responsibilities for supporting compliance and for consistent system use. The system now holds statutory obligations for the Council's estate and is the central system for uploading relevant certificates and identifying and closing down remedial actions. At a time when the system continues to be developed and implemented, there is increased understanding of statutory inspections required to maintain premises in line with legal requirements.
14. **Increase in Demand (Childrens' Services)** – This risk has replaced a corporate risk titled 'Social Services Provision', to more specifically focus on managing the impact of high demand in Childrens' 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.
15. **Promoting Independence** - Targeted control measures have addressed this strategic level risk, to satisfy its removal as a corporate risk for management at a subsidiary level. These include the implementation of a whole systems approach (including integration with Health in order to manage winter pressures); a Strategy to engage more proactively with the market (in order to support better sustainability in domiciliary care) and the implementation of a strengths-based approach.
16. **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.

17. **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.
18. **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**

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

#### **Legal Implications**

20. 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**

21. 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**

Cabinet is recommended to consider the content of the Corporate Risk Register.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>CHRISTINE SALTER</b> Corporate Director Resources
	7 December 2018

*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