

**AUDIT COMMITTEE: 12 NOVEMBER 2019**

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**CORPORATE RISK MANAGEMENT - QUARTER 2 2019/20**

**REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: X.X**

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**Reason for this Report**

1. To update Audit Committee on the risk management position at quarter two 2019/20 and to highlight any changes from the Q1 report.
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 10 September 2019, at which time the risk management position at quarter one 2019/20 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. This reporting process allows SMT to determine if any changes are required to the CRR each quarter. The remaining escalated risks continue to be held on DRRs and are 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 two risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter two risk assessments are presented on the Corporate Risk Register Summary Snapshot (Appendix A) and the Detailed Corporate Risk Register (Appendix B).

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

### **Directorate Risks**

9. At the quarter two position, 224 risks were reported from DRRs. All escalated risks and requests for de-escalation were discussed and approved in SMT on 22 October 2019.
10. It was agreed that eight directorate risks would be carried forward as SMT escalated risks at quarter two.

<b>Directorate</b>	<b>Directorate Risks</b>	<b>Risks at SMT Escalation Point</b>
Economic Development	21	1
Education	12	0
Governance & Legal Services	9	1 (Shared)
Housing & Communities	35	2
Performance & Partnerships	3	0
Planning, Transport & Environment	30	1
Recycling & Waste	5	0
Resources	84	1
Social Services	25	3 (1 Shared)
<b>Total</b>	<b>224</b>	<b>8</b>

### **Corporate Risks**

11. SMT collectively reviewed the escalated directorate risks and corporate risk updates at the end of quarter two. 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.
12. **Brexit**  
Including Brexit within the Corporate Risk Register 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. As part of this management of the risk, further review and update has taken place in Q2. During the quarter the Leader provided a Brexit preparedness update to full Council (12 September), nominated officers have been identified in each directorate to lead on Brexit response planning, and a Cardiff Council Brexit Issues Register has been developed. Following review, no gaps have been identified between the Council's assessment work and that of the Welsh Government and WLGA.
13. **Climate Change & Energy Security**  
*Inherent Risk Rating increased from B1 (Red) to A1 (Red).*  
*Residual Risk Rating increased from D1 (Red-Amber) to A1 (Red).*  
*Target Risk Rating increased from D2 (Red-Amber) to B2 (Red).*  
As stated at Q1, the risk has been comprehensively reviewed for Q2 to reflect the most recent information available, including the Council's declaration of a Climate Emergency. The review was undertaken with input from several areas including Highways, Energy Management and the Emergency Management Unit. Further consideration will be given in

Q3 / Q4 to the future structure and presentation of the CRR in respect of each of the risks with links to Climate Change including Energy Security, Coastal Erosion and Air Quality.

#### 14. Coastal Erosion

*Residual Risk reduced from B1 (Red) to B2 (Red).*

*Target Risk reduced from C1 (Red) to C2 (Red-Amber).*

The reduction to the residual risk rating reflects the incident management arrangements that are already in place, including the ability to invoke a multi-agency response, which, whilst not preventative, represent a level of mitigation in respect of the impact of a coastal flooding event. The Coastal Defence Scheme, (construction of which is anticipated to start late 2020 or early 2021), is designed to significantly reduce the likelihood of such an event occurring. The targeted reduction is therefore a longer-term target that is deemed possible once the scheme is finished, when considered alongside the existing impact mitigations.

#### 15. Financial Resilience

*Residual Risk increased from C2 (Amber-Red) to B2 (Red).*

*Target Risk increased from D2 (Red-Amber) to C2 (Red-Amber).*

These increases to the risk ratings reflect the fact that the current financial outlook is uncertain due to delays in budget setting, both in Central UK Government and Welsh Government, with an associated delay in provisional and final settlements. In addition to these delays, there are question marks around anticipated transfer of grants into the settlement and any knock-on impact on the 2020/21 budget strategy in respect of the current year's projected monitoring position at Month 6.

### **Benchmarking Risk and Assurance Reporting to Audit Committee (Welsh Authorities)**

16. Local Authorities across Wales recently responded to nine simple questions in respect to the different approaches to Audit Committee Risk Management Assurance. The overall information was shared at the All Wales Audit Chairs Network. The information received will be shared with the Audit Committee in preparation for the Annual Self-Assessment workshop in January. The overall information shared highlights that Cardiff is in a minority of Councils that provide information on target risks and invite senior officers to attend a Committee meeting for a focused risk review. However, Cardiff is one of the authorities that has not delivered any formal risk management training to the Committee in the last two years.

### **Reason for Recommendation**

17. To enable the Audit Committee to monitor risk management activity, and consider the Risk Management Review – Quarter two 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.

**Chris Lee**  
**Corporate Director Resources**

The following Appendices are attached:

**Appendix A** - Corporate Risk Register Summary Snapshot – Q2 2019/20

**Appendix B** - Detailed Corporate Risk Register – Q2 2019/20