

CORPORATE RISK MANAGEMENT - QUARTER 2 2019/20

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

AGENDA ITEM: 4

Reason for this Report

1. To bring the risk management position at quarter 2 2019/20 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 11 July 2019, at which time the risk management position at quarter 4 2018/19 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. 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

6. 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).

7. 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

8. 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.
9. It was agreed that eight directorate risks would be carried forward as SMT escalated risks at quarter two.

Directorate	Directorate Risks	Risks at SMT Escalation Point
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)
Total	224	8

Corporate Risks

10. 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, SMT has approved the following material CRR changes since the last Cabinet update on 11 July 2019.
11. 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 both quarter one and quarter two. During the second 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.

12. 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).

During quarter two, the risk has been comprehensively reviewed 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 the second half of the year 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.

13. Coastal Erosion

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

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

Ratings reduced in quarter two. 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.

14. 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 in quarter two, 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.

15. Education – Schools' Delegated Budgets

Risk description revised at quarter one. 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.

16. Non-Completion of Statutory Building Maintenance

In quarter one, the target reduction date was extended to quarter four 2019/20 (from quarter two 2019/20). The work ongoing in respect of Landlord/Occupancy Agreements is now expected to be completed by the end of the current year. As previously reported, the Agreement for Schools has been incorporated within the Schools Handbook and 'one front door' established to assist implementation.

Reason for Recommendation

17. To enable the Cabinet to monitor risk management activity, and consider the Risk Management Review – Quarter two 2019/20.

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.

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.

RECOMMENDATION

Cabinet is recommend to note the content of the Corporate Risk Register.

SENIOR RESPONSIBLE OFFICER	Chris Lee Corporate Director Resources
	13 December 2019

The following appendices are attached:

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

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

The following background papers have been taken into account:

Corporate Risk Register Q1 & Q2 2019/20

Directorate Risk Registers Q1 & Q2 2019/20