

AUDIT COMMITTEE: 28 JULY 2020

CORPORATE RISK MANAGEMENT - QUARTER FOUR 2019/20

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 7.3

Reason for this Report

1. To update Audit Committee on the risk management position at quarter four 2019/20 and to highlight any changes from the quarter three 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.
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 four risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter four 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 four are detailed as follows.

Directorate Risks

9. At the quarter four position, 216 risks were reported from DRRs. All escalated risks and requests for de-escalation were discussed and approved in SMT on 15 July 2020.
10. It was agreed that eight directorate risks would be carried forward as SMT escalated risks at quarter four.

| Directorate | Directorate Risks | Risks at SMT Escalation Point |
|-----------------------------------|--------------------------|--------------------------------------|
| Economic Development | 20 | 1 |
| Education | 14 | 0 |
| Governance & Legal Services | 9 | 1 (Shared) |
| Housing & Communities | 36 | 2 |
| Performance & Partnerships | 2 | 0 |
| Planning, Transport & Environment | 29 | 1 |
| Recycling & Waste | 1 | 0 |
| Resources | 81 | 1 |
| Social Services | 24 | 3 (1 Shared) |
| Total | 216 | 8 |

Corporate Risks

11. SMT collectively reviewed the escalated directorate risks and corporate risk updates at the end of quarter four. 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. **Non-completion of Statutory Building Equipment Maintenance**
Target Reduction Date extended further to Q3 2020/21 (from Quarter 4 2019/20)
Residual Risk rating amended from B3 (Red-Amber) to C2 (Red-Amber)
 Target reduction date has been extended due to further delays in the ongoing work in respect of Landlord/Occupancy Agreements, as a result of Covid-19. The Residual Risk Rating has been revised from B3 to C2 (remaining Red-Amber).
13. **Education Consortium & Attainment**
Residual Risk increased from B4 (Green) to B3 (Red-Amber).
 The previous quarter's reduction in Residual Risk Rating has been reversed in light of the impact of Covid-19 on schools and the potentially detrimental effect on pupils' attainment. Target Risk remains at C4 (Green).
14. **ICT**
ICT Platforms Unsuitable/Outdated
Residual Risk rating decreased from B2 (Red) to C2 (Red-Amber)
Cyber Security
Target Risk rating increased from E1 (Amber-Green) to D1 (Red-Amber)

15. **Climate Risks (excluding Coastal Erosion)**

Work has been undertaken in quarter four to consider structure and presentation of the CRR in respect of those risks with links to Climate Change and the environment. These include:

- Flooding
- Extreme Weather
- Energy & Decarbonisation
- Biodiversity

This suite of risks is now presented in the CRR in summary format with a weighted rating, with the working papers behind each risk informing that summary.

Coronavirus (COVID-19)

16. The lattermost part of quarter four and all of quarter one 2020/21, have of course, been dominated by the Covid-19 pandemic which has impacted populations globally. Cardiff Council reacted to this unprecedented situation by establishing clear management arrangements and undertaking robust planning exercises in response to the escalation of the virus. At the present time the Council is transitioning from a reactive to a reflective phase, with work ongoing to plan for, and allow, the resumption of services where practicable. The Council's resilience to any second spike later in the year, and any longer-term changes to services and working practices is being considered and proactively planned.

17. The impact of Covid-19 on existing risks has been considered as part of quarter four reporting arrangements. Directorates have also considered Covid-specific risks. Further work will be undertaken in quarter one 2020/21 to identify those that remain ongoing and the future presentation of these either within, or alongside, the existing "Business As Usual" risk registers.

UK's Exit of the European Union

18. The UK left the European Union on 31st January 2020. It remains in the single market and customs union until the end of the year as part of transition arrangements. Negotiations continue to take place in order to secure the future relationship between the UK and the EU. The UK government's position remains not to extend the transition period beyond 31st December 2020.

Reason for Recommendation

19. To enable the Audit Committee to monitor risk management activity, and consider the Risk Management Review – quarter four 2019/20.

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.

RECOMMENDATIONS

22. 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 – Q4 2019/20

Appendix B - Detailed Corporate Risk Register – Q4 2019/20