

## **Audit & Governance Committee**

**19 March 2013**

Report of the Assistant Director CBSS (Finance, Asset Management & Procurement)

### **Key Corporate Risk Monitor Four 2012/13**

#### **Summary**

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) an update on the council's key corporate risks, and to highlight in more detail emerging risk issues with a view to Members considering any further information they would wish to receive on these matters.

#### **Background**

2. The risk management process at York ensures that all key and emerging risks are reported regularly to A&G and on at least a quarterly basis. The purpose of this paper is to provide assurance that the council identifies understands and is effectively managing its key risks. The detailed corporate risk register containing the key high and critical corporate risks is provided to A&G Members in advance of the committee meeting.

#### **Current Risk Issues**

3. The council has now set its budget for 2013/14. The background to this is the continuing Government spending cuts, inflationary and demographic pressures on the Adult Social Care budget and the localisation of Council Tax Support and Business Rates. The formal finance monitoring reports during 2013/14 will provide Members with performance against the budget targets and details of any mitigation actions required to ensure a balanced budget is delivered.

4. A key consideration is that 55% of the council's income is received through council tax which makes the organisation less vulnerable to the cuts in Government grant. However during 2013/14 the council's Local Council Tax Support Scheme (LCTS) will pass back 30% of the individual annual council tax bill to customers on benefits and low income. The scheme is assumed to be cost neutral as set out in detailed reports to cabinet, but clearly this will require regular monitoring during the year.
5. As reported in Monitor 3 the relocation of all council services into the two locations at Hazel Court and West Offices has been ongoing since February and is now nearing completion. The move has gone well to date with no serious risk issues arising.
6. One of the key risks to materialise since the quarter 3 paper is in relation to the Waste PFI. A summary of the position as at the 5<sup>th</sup> of March is that the final planning approval for the Allerton Waste Recovery Centre, a joint venture between North Yorkshire County Council and City of York Council, had just been given the go ahead from the government in early February. The councils were expecting to receive £65m from Department for Environment, Food and Rural Affairs (Defra) to support the project that diverts waste away from landfill sites to help finance the scheme.
7. However, Defra announced on 22<sup>nd</sup> February 2013 that it was withdrawing funding for the Allerton Park site, another in Bradford and one in Merseyside as they were no longer needed to meet European Union landfill targets.
8. The plans for the Allerton Waste Recovery Park, to be built on an existing quarry and next to a landfill site near the A1 at Knaresborough, had been shaped by over a year of consultation and community liaison across the county.
9. A UK company AmeyCespa was appointed to run the facility which would reduce the amount of North Yorkshire's household waste going to landfill by 90 per cent and significantly decrease the councils' waste management costs.

10. The Council is seeking an urgent meeting with the Secretary of State for the Environment, Food and Rural Affairs along with the leaders of Calderdale, Bradford and North Yorkshire councils to discuss this decision.
11. The project has so far cost North Yorkshire and City of York councils in excess of £6.5m to progress and there is a contractor liability risk to the Authorities in exiting from the procurement. In addition scrapping of the plans may mean both authorities having to spend more on landfill taxes, depending on the time and acceptability, to “go-live”, of any new solution.
12. The council will now take time and review its options and alternatives to try and recover as much of the withdrawn funding as possible, before putting any new business case to Members, as originally planned, later in the year.
13. The position of the council’s two critical key corporate risks as at the end of February 2013 are set out below:

### **KCR0019 Safeguarding**

#### Safeguarding (Eoin Rush)

*“In common with every other local authority this risk remains a constant. The controls in place are regularly reviewed and updated in line with emerging national guidance. Measures to review and strengthen the controls in place to manage this risk in the next year include, review of social care structure in light of Munro, Social Work Reform Board recommendations and the development of a City wide Integrated Family Service*

### **KCR 0022 Financial Pressures**

#### Reduction in Revenue Budgets (Ian Floyd)

*“The requirement to respond to the public sector spending reductions/deal with demographic cost pressures, presents a financial challenge the scale of which the Council has never experienced. Major savings are currently being implemented*

*by the council, and there are major savings that will be needed in the future. Whilst long term financial planning provides a key control, critical to the organisation being able to manage this risk effectively lies in identifying and achieving the savings identified in service reviews and through making difficult choices in the way services are delivered. Achievement of the savings will also require both a full commitment across the organisation and a robust approach to the ongoing monitoring of the savings.”*

## **Whole Risk Diagnostic**

14. The council has commenced a review of its risks and risk management processes. This work is being supported by Zurich Municipal's Risk Management Services under the council's insurance programme and at no cost to the council.
  
15. The purpose of the Whole Risk Diagnostic (WRD) approach is to allow the council to gain fresh insight into the risks it faces and provide new thinking as regards potential solutions around these risks. A risk workshop was undertaken with members of the Audit & Governance Committee on 26 February 2012. Some of the headline issues raised by A&G and reported by Zurich included:
  - I) A view that the Risk Register is not current;
  - II) That the risk definition of some risks are not clear and in some cases are too broad;
  - III) A&G want a better understanding of who identifies the key risks and the process followed;
  - IV) A&G wished to have more information around the risk matrix - what criterion sits behind the likelihood and impact rating;
  - V) A&G raised an issue regarding officer attendance at Audit and Governance Committee and ensuring that the appropriate officer attends who has the detailed understanding of the key risk area (this may not necessarily be the Director who ultimately owns the risks);
  - VI) A&G raised the issue around a 'good faith approach' to risk management - members are heavily reliant on officers to identify and manage the key risks;

- VII) A&G thought that Risk Management Training should be offered to all elected members (not just those that sit on the Audit and Governance Committee) - there was also a suggestion to look at on-line training;
  - VIII) A&G requested some kind of high level summary (risk map) of all the key risks - also in the form of a graph/diagram rather than narrative;
  - IX) The issue of committee reports and lack of risk implications was raised - more risk information was requested especially if it involved a key decision;
  - X) A&G also raised an issue around the role of the Audit and Governance Committee 'v' role of Cabinet with regard to Risk Management - clarity around who does what and how far members can go on each Committee;
  - XI) A&G also raised an issue regarding a clear process for elected members to identify/raise a key risk;
16. All these issues will be considered and resolved as part of in the ongoing review. Information around the risk matrix, criterion and risk process is provided at paragraph 11 & 12 below and in more detail in the risk management guide attached at Annex A of this report.

### **Risk Management Scoring and Evaluation**

17. A&G have asked for more details on how risks are scored in terms of their overall risk ranking (III and IV above). Risk Management is not a science and whilst there is an element of mathematics used in calculating risk scores a lot relies on knowledge and assumptions made by risk owners taking into account the perceived impact of the risk occurring and all relevant controls and actions.
18. To support officers as well as the councils Risk Management Strategy and Policy there is a Corporate Guide that takes them through the risk management process (a copy of this is attached at Annex A). The link to this guide sits on the front page of the council's intranet and has formed the basis of officer training. The information contained within the document addresses most of the issues A&G have raised in terms of the thinking behind and scoring of risks.

19. The risk management process at the council did form part of the training programme for all elected members and training was delivered bi-annually in February and October each year (VII above). These training sessions stopped last year as there was no longer any take up by Members. The reduction in staffing across the organisation has also meant that officer training sessions are no longer delivered. There are no issues in putting back the elected member sessions and this forms part of the recommendations of this report however there is no guarantee that members will take them up.

### **Directorate Risk Reports**

20. As discussed at A&G on the 12<sup>th</sup> of December 2012 the risks in respect Adults, Children and Education (ACE) are attached to this paper at Annex B. This report includes risks in relation to the pressures in the Adult Social Care area which are also reported separately to members in the Key Corporate Risk monitor at KCR 0018 each quarter. An officer from the Directorate is in attendance to answer any queries you have in respect of the risks set out within the annex.
21. The timetable for directorate risk reports in 2013/14 is set out below:

<u>A&amp;G Committee</u>	<u>Directorate</u>
July 2013	Office of the Chief Executive
September 2013	CBSS
December 2013	CAN's and City & Environmental Services
March 2014	ACE

### **Options**

22. Not applicable.

## **Council Plan 2011 - 2015**

23. The effective consideration and management of risk within all of the council's business processes helps support achieving 'a confident collaborative organisation' and aids the successful delivery of the five priorities.

### **Implications**

- (a) **Financial** - There are no implications
- (b) **Human Resources (HR)** - There are no implications
- (c) **Equalities** - There are no implications
- (d) **Legal** - There are no implications
- (e) **Crime and Disorder** - There are no implications
- (f) **Information Technology (IT)** - There are no implications
- (g) **Property** - There are no implications

### **Risk Management**

24. In compliance with the council's Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

### **Recommendations**

25. A&G are asked to:

- (a) Consider and comment on the issues set out in this paper;

Reason

*To provide assurance that the authority is effectively identifying and managing its key risks.*

- (b) Approve the reimplementation of an annual risk management training course for elected members.

Reason

*To provide assurance that elected members are been properly trained on the council's risk management process.*

- (c) Approve the timetable for the directorate risk reports for 2013/14 (Paragraph 15)

Reason

*To provide assurance that directorates are properly identifying and managing their risks.*

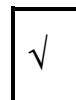
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**Report  
Approved**



**Date** 8 March  
2013

**Specialist Implications Officer(s)** Not applicable

**Wards Affected** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers**

Key Corporate Risk Monitor Quarter 3

**Annexes**

Annex A – Corporate Risk Management Guide

Annex B –ACE risk report