

**Audit & Governance Committee**

**26 July 2011**

Report of the Assistant Director CBSS (Head of Financial Services)

**Key Corporate Risk Monitor One 2011/12**

**Summary**

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) the position of the risks associated with the Key Corporate Risks (KCRs) as at the end of June 2011. This report also proposes changes to the way in which risks are reported in the future.

**Background**

2. The KCRs are reported to both A&G and Corporate Management Team (CMT) four times a year as part of the council's overall governance arrangements. The KCRs are also regularly reviewed at Directorate Management Teams (DMT's).

**Proposed changes to the way risk are reported**

3. The process for presenting risks to both A&G and CMT has not been reviewed or changed for a number of years. One of the key drivers for the current process has been to provide very clear documentary evidence that risk is well managed at City of York Council. Outside of CMT and A&G the key audiences for the current reporting process has been the Audit Commission. In the final Comprehensive Area Assessment (CAA) the Audit Commission reported that Risk Management was well embedded within the organisation with Risk been scored at 3 (Good).
4. The demise of inspection processes such as CAA and the more recent changes in the A&G members allows the opportunity to take a fresh look at how risk may be more effectively reported and owned by the organisation. A key weakness of the current process is that ownership of some KCR risks is perceived to be with the service area responsible for the risk management framework (CBSS). The following paragraphs propose how in future risk could be reported in a way that provides clear ownership by the relevant directorate and service.
5. For the purposes of monitor 1 (Annex A -E) provides the corporate risk register for the High and Critically ranked KCR's split by Directorate

and Risk. The risks below this level continue to be reported to DMT's and are no longer included within the monitor. This reduction in the number of risks reported should provide better clarity and brings us in line with best practice in other local authorities such as North Yorkshire County Council where only 5 key risks are reported to their Audit Committee bi-annually. A&G may also wish to consider whether bi-annual reporting of the KCR's is adequate or whether they wish to continue seeing the risks on a quarterly basis.

6. A further proposed change is to allow each Directorate to present its own key risks to A&G at least once during the year. This should encourage greater ownership of the risks and at the same time allow A&G to ask questions of the relevant risk owners. This should help improve the existing process where A&G members often have questions that cannot be answered in committee. If this is approved by A&G along with continuing with the four reports per annum the following schedule would be recommended to be adopted for this year:

<u>A&amp;G Committee Date</u>	<u>Directorate</u>
26 September 2011	- Customer & Business Support Services/Office of the Chief Executive
5 December 2011	- Community & Neighbourhoods/City Strategy
13 February 2012	- Adults Children & Education

## Monitor 1

7. There has been very little change to the key critical KCRs since Monitor 4 2010/11. There remains just three critical risks and the up to date risk owners comments are set out below:

### **KCR 0016 Capital Programme**

#### Failure to obtain funding for Access York Phase 1

*The delivery risk for Access York Phase 1 is considered to be critical because the way that the government distributes funding for transport major schemes has significantly altered since the scheme obtained Programme Entry status in March 2010. The other key risks such as planning consent and land purchase have all been resolved satisfactorily but the availability of the principal funding source, confirmed by the previous administration, is now more uncertain. Approximately 90% of the funding (£22.9m) was expected to be provided by the Department for Transport (DfT). Their budgets have now been reduced and this has resulted in the scheme being placed in what is termed the 'Development Pool'. An Expression of Interest for the continuation of the scheme was submitted to the DfT by 4 January*

2011. Following the addition of 23 schemes into the Development Pool in February 2011 there are now 45 projects valued at an estimated £945m competing for £630m of funding. A 'Best and Final Funding Bid' for the scheme will be prepared and submitted before the autumn deadline (9 September). The DfT will make a decision regarding the funding of the schemes dependent on a number of criteria including value for money, extent of local contribution, and deliverability by the end of 2011 meaning that the earliest that successful schemes could re-start with DfT funding is April 2012. If the Access York Phase 1 scheme is successful in obtaining funding, it is anticipated that the project would be completed and the Park & Ride sites operational, by early summer 2014.'

## **KCR 0019 Safeguarding**

### Safeguarding

*"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 quarter include, participation in an LGID Peer Review of our Local Safeguarding arrangements, implementation of our local action plan following the recent unannounced inspection of our contact, referral and assessment service, implementation of a new supervision policy for all children's social care workers involved in child protection activity and improved case file auditing arrangements."*

## **KCR 0022 Financial Pressures**

### Reduction in Revenue Budgets

*"The requirement to reduce revenue budgets by approximately 28% and a 45% reduction in capital funding over the next 4 years presents a challenging financial scenario for the council to manage. Whilst long term financial planning provides a key control, critical to the organisation been able to manage this risk effectively lies in identifying and achieving the savings identified in service reviews and delivered through the Business Change & Performance (BCP) efficiency program."*

8. The appropriate risk owner from the relevant directorate can provide more detailed information, if it is required, in relation to any of the above risks or any others contained within the monitor.

## **Matters arising at A&G on 14 April**

9. At A&G on 14 April 2011 a query was raised in relation to the 'Actions' associated with risk numbers 1796, 1798, 1799. At the time that the report was published it was not possible to provide the up to date position of these 'Actions'. To allow officers enough time to update these risks the target dates were moved on by one month. Having discussed these risks with the relevant service area one of the key issues giving rise to this problem is that risk owners are including Controls in the Actions element of the risk. Taking risk 1796 for example 'training in equality and human rights' is an ongoing process and a Control. If it is the case that all relevant officers have not been trained this does not make it an Action to be taken but rather an ongoing Control. The amendments to reflect this change have now been undertaken with regard to these risks and are included within annex C.
10. The councils risk register magique was not designed to be used for detailed hard copy reports but rather as an on-line system. Users are able if they wish to score the Controls within the system to reflect how well embedded or how effective they perceive them to be. Taking the example of 'training in equality and human rights' in paragraph 9 above if only limited training had been undertaken the control could be categorised as weak (Red) and this in turn may affect the overall risk ranking.

## **Directorate High & Critical Risks**

10. In terms of high and critical directorate risks there are none requiring escalation to CMT for this monitor.

## **Options**

11. Not applicable.

## **Corporate Strategy**

12. The effective consideration and management of risk within all of the council's business processes will contribute to achieving an 'Effective Organisation' and aid the successful delivery of each theme within the Corporate Strategy.

## **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**

13. 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**

14. A&G are asked to:
- a. Consider, comment and approve the change to risk reporting set out at paragraph 3 - 6 of this report;

Reason

*To provide a more meaningful risk reporting process better engaging the directorates in their own risk issues.*

- b. Consider whether they wish to continue to receive the risk monitor on a quarterly basis or wish to move to a bi-annual basis (Paragraph 5);

Reason

*To provide an option to A&G on the frequency that they would like risks reported.*

- c. Consider, comment and agree the risks set out at paragraph 7, Annex A – D and confidential Annex E of this report.

Reason

*To provide assurance that risks to the council are continuously reviewed and updated*

## Contact Details

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Report Approved  Date

**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 Four 2010/11.

### Annexes

- Annex A – ACE Risks
- Annex B – City Strategy Risks
- Annex C – CAN's Risks
- Annex D – CBSS Risks

### Confidential Annexes

- Annex E