

Audit & Governance Committee

25 July 2012

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

Key Corporate Risk Monitor One 2012/13

Summary

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

Background

2. High and Critical Key Corporate Risks (KCRs) were previously reported to A&G four times a year and at least twice a year to Corporate Management Team (CMT), as part of the council's overall governance arrangements and formed the key focus of the risk monitor papers. This information is now distributed to members along with this report to ensure that they continue to have this valuable information. However, this risk monitor will in future provide members with an overview of progress on some of the key risks, noting any changes, and where relevant we will cover one or more risk areas in some further detail. This will seek to provide assurance that the authority understands and is effectively managing its key risks. The KCRs along with directorate level risks continue to be regularly reviewed at Directorate Management Teams (DMTs).

Monitor One

3. The two critical KCR's have not changed since Monitor 4 2011/12 and the up to date risk owner's comments 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 quarter 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., The service will also be responding to the findings of the Ofsted safeguarding and looked after children inspection conducted in March 2012”

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. Reductions of some £40m from 2011-14 are required, and further savings 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 programme.”

4. The number of high KCR's has not changed since the last monitor and therefore remains at 13. Full information in relation to the high and critical risks can be found in the KCR report that was distributed for information purposes separately to this monitor.

Risk Focus

5. Changes to Council Tax Support, one of the largest welfare changes to affect local authorities in 30 years, and the risks that this presents for the council is the key focus of this paper

Council Tax Support

6. The Government released a formal consultation document in August 2011 and then followed this up with a statement of intent in May 2012 on their plans for abolishing Council Tax Benefit and replacing it with a new local system of Council Tax Support.
7. The subsidy provided to local authorities, including York, will be reduced by 10% relative to current expenditure on council tax benefit. However, the Government has retained the right to prescribe the scheme for pensioners, which means they will continue to be supported at the current levels from the new grant. The impact of this protection to pensioners is that the full savings will need to be passed to working age customers, which will equate to approximately a 30% cut in their council tax support.
8. This cut in support could also detrimentally affect the normal in year council tax collection rate of 97.9%, which could potentially lead to a shortfall in the collection fund income for 2013/14. The combined effect of these issues is an overall potential shortfall of some £1.7m in 2013/14.
9. In addition, unlike the council tax subsidy, which covered 100% of the costs, should there be an increased uptake of Council Tax Support the grant is not increased to reflect this, so the financial implications for the authority and customers in the forthcoming years cannot at this stage be accurately predicted.
10. Work is currently being undertaken to develop a local council tax support scheme for York. To ensure that the approach taken is reasonable, it has been carried out in consultation with other local authorities at both a local and national level and account has also been taken of information that has

been disseminated from other key bodies such as the IRRV (Institute of Revenues, Rating and Valuation).

11. The methodology that is being used is to cap the amount of council tax discount awarded in each council tax band so that the difference between the award level and the true cost (the element that will need to be paid by the customer) equates to the saving required, ie the reduction in grant. This ensures that the budgetary impact on the council of the reduction in grant is managed effectively
12. The authority is aware that the reduction in support for working age customers that are on full income related benefit, or working and on a low income, will be of significant concern to these customers. As such, public consultations are to be undertaken to present the information to customers in advance of the changes and offer them an opportunity to feedback and comment on the proposals. It is also a key element of the consultation that it is made very clear that these changes have been brought about by Government and the authority has to respond to them. This will help to manage the reputational impact that these changes will have on the authority.
13. Members were briefed on the changes at an early stage to ensure that they had all the relevant information at that time. Since then more work has been undertaken and as a result a limited number of options have been presented to cabinet with regards to the shortfall in funding and how much should be passed to customers and how much might be found from other sources.
14. All decisions on the scheme will need to be made by November 2012 to ensure there is sufficient time for the work required to produce the annual council tax bills. The scheme must be published by 31st January 2013 to abide by the statutory deadline and the changes will actually be seen by customers from 1st April 2013.

New Developments

15. Given the transformation programmes taking place within the authority driven by the funding cuts announced in the 2010

spending review there are significant challenges arising both strategically and operationally, the effective management of risk and opportunity has never been more crucial.

16. The KCRs are in need of a review as they are now several years old and may not reflect the key risks the council currently faces. There is a raft of emerging and developing issues affecting the council some of which to a greater or lesser extent may or may not be covered in the current list of KCRs
17. In terms of reviewing and updating our current key risks an opportunity has arisen to work in partnership with Zurich Municipal who are experts in the field of local authority risk management to take a fresh approach to the identification and analysis of the critical risks and opportunities currently facing the authority. This has been undertaken in many other local authorities and is free of charge. It will be delivered through focused, facilitated, one to one discussions with senior management and appropriate risk owners. At the conclusion of the exercise, the feedback and findings will be presented to the council.
18. It is hoped that the work will be concluded and any actions required to update the councils risk register or methods of reporting risk will have been completed in time to provide information to A&G in risk monitor 4 2012/13.

Directorate Risks

19. The risks in respect of OCE are attached to this paper at Annex A and the risk report in respect of ACE due at the A&G meeting in April is attached at Annex B. Officers from both directorates are in attendance to answer any queries you have in respect of the risks contained within these annexes.
20. The timetable for risk reports from the other council directorates is set out below:

<u>A&G Committee Date</u>	<u>Directorate</u>
27 September 2012	Customer & Business Support Services
12 December 2012	Community & Neighbourhoods/City & Environmental Services
13 February 2013	Adults, Children and Education

Options

21. Not applicable.

Council Plan 2011 - 2015

22. The effective consideration and management of risk within all of the council's business processes helps support achieving 'a confident collaborative organisation' and aid 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

23. 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

24. A&G are asked to:

- (a) Consider the risk regarding the changes to council tax support at paragraphs 6 to 14.

Reason

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

- (b) Consider, comment and agree on the proposed opportunity to work with Zurich to refresh the key risks facing the authority.

Reason

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

- (c) Approve the directorate risk reporting agenda set out at paragraph 20.

Reason

To ensure that directorates bring forward updated risk reports providing assurance that risk is being properly managed through 2012/13.

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**Report
Approved**



Date 12/07/12

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

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For further information please contact the author of the report

Background Papers

Key Corporate Risk Monitor One 2012/13.

Annexes

- A OCE directorate risk report
- B ACE directorate risk report