

Cherwell District Council

Accounts, Audit and Risk Committee

25 March 2015

Third Quarter Risk Review

Report of Head of Transformation and Acting Corporate Performance Manager

This report is public

Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership Risks during the third quarter of 2014/15 and highlight any emerging issues for consideration.

1.0 Recommendations

The meeting is recommended:

- 1.1 To review the second quarter Strategic, Corporate and Partnership Risk Register and identify any issues for further consideration.

2.0 Introduction

- 2.1 The Council sets out its approach to managing risk in its Risk and Opportunities Management Strategy. This document is reviewed and updated on an annual basis and sets out the framework for managing risks of all types.
- 2.2 Risks are reviewed on a quarterly basis, undertaken by the Accounts, Audit and Risk Committee and Joint Management Team (JMT). This takes the form of reviewing the strategic risk register. Operational risks are reviewed at the departmental level but can be escalated to the strategic risk register if required. Risks may be identified and added to the strategic risk register at any point during the year and three risks have been added to the Register during this quarter as detailed in 3.2. A formal review is undertaken annually to refresh the strategic risk register and identify any new or emerging risks or opportunities.

2.3 In summary this report sets out the following:

- the principles by which the Council manages risk
- quarter three Risk Review (Appendix 1) and Risk Heat Map (Appendix 2)
- issues outstanding from 2013/14 Risk Audit

3.0 Report Details

3.1 **Underlying Principles:** the following principles continue to be used for the management of risk

Core Risks: these are the core set of strategic and high level risks that are recorded in the Council's Risk Register and are managed by JMT. They are monitored by the Accounts, Audit and Risk Committee and JMT on a quarterly basis. These risks are defined as strategic, corporate and partnership risks (see 'types of risk' below).

Residual/Net Risk: this is a measure of impact and likelihood after the proposed mitigating actions or controls have been taken into account. This is given a score using a 5x5 matrix which can then range from 1 to 25, with 25 being the highest level a risk can score. Changes in residual risk are highlighted in the risk monitoring reports to draw attention to any increase or decrease in risk and any new controls required.

Types of Risk: the Council distinguishes between types of risk and those defined as strategic, corporate or partnership are held on the Council's core risk register. Operational risks are managed at the service and directorate level and not corporately through the strategic risk register. Our definitions are as follows:

- Strategic risks that are significant in size and duration and will impact on the reputation and performance of the Council as a whole and in particular on its ability to deliver its four strategic priorities.
- Corporate risks to corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services.
- Partnership risks to a partnership meeting its objectives or delivering agreed services/ projects.
- Operational risks specific to the delivery of individual services/service performance or specific projects.

3.2 The Council's Risk and Opportunities Strategy was fully reviewed and redeveloped during 2011/12 to take into account the new joint management arrangements within Cherwell District Council and South Northamptonshire. This strategy ensures that the joint management team use a single approach to risk management. Risks are clearly identified as Cherwell, South Northants, shared or 3 Way (to reflect current shared working with Stratford District Council) and managed to reflect this status.

The strategy has been reviewed as part of an annual process and minor adjustments have been made. These reflect the recommendations made as part of

the audit and changes to the information management and data collection system that underpins the process.

As part of the business planning process for 2014/15 strategic, corporate and partnerships were reviewed and updated by JMT to ensure its contents reflect current priorities and circumstances. Three new risks have been identified since then and are now included on the register for reporting this quarter.

- S19 - Banbury Developments
- S20 - Asset Management
- S21 - Dry Recycling Contract

Third Quarter Risk Review

3.3 The risk register is attached as Appendix 1. The register has been reviewed by the risk owners and members of JMT. Each risk has commentary for quarter three included.

3.4 Changes to the full risk register during this quarter are summarised below:-

Risk Type	Risk Ref	Risk Name	Comments/Actions
Strategic	S17	Joint Working (three-way)	<p>↑ Increase in residual risk scores</p> <p>Risk has increased this quarter. Ability to deliver three way joint working programme in original time frame is severely constrained due to Stratford District Council adopting a different timetable for adoption of the business case.</p> <p>Transformation Joint Working Group (TJWG) and Joint Arrangements Steering Group (JASG) are reviewing position</p> <p>Probability scores have increased to reflect this position</p>
Strategic	S19	Banbury Development	<p>New Risk : Cherwell specific</p> <p>The interdependencies between the private and public sites are very dynamic, and only partly within our control. This makes alignment of all the stakeholders' objectives with those of the Council unlikely and puts at risk the delivery of the Council's objectives.</p>

Risk Type	Risk Ref	Risk Name	Comments/Actions
Strategic	S20	Asset Management	<p>New Risk : Cherwell specific</p> <p>Failure to maximise the value of council assets through inaction, or wrong action leading to devaluation or wasted value.</p> <p>A report was presented at Executive in December 2014 to agree a way forward. A detailed action / resource plan is being generated and will be presented to the board responsible for monitoring the asset strategy in January 2015 together with revenue and capital bids for the 2015/16 budget process.</p>
Strategic	S21	Dry Recycling Contract	<p>New Risk : Shared</p> <p>The shared Dry Recycling Contract is due February 2015. The current suppliers, UPM were asked to extend Contract for a further three years but are trying to get out of an extension due to financial losses. A meeting has been scheduled with UPM and Procurement and Legal for 26 January 2015.</p> <p>Failure to legally enforce contract extension option or renegotiate contract could lead to the need for short term arrangements or re-tender of the contract. Commodity prices are falling – with reduced oil prices plastic recycling prices will fall. Paper prices already fallen due to falling newspaper.</p> <p>Financial risk of reduced income (could be £20/tonne) or more. Service risk if outlet for recycling not secured.</p>
Corporate	C04	Corporate Fraud	<p>↑ Increase in residual risk scores</p> <p>Risk reviewed - Residual probability increased from a 2 to a 3 as a result of the transfer of fraud investigators to the DWP in February 2015.</p> <p>Whilst a Corporate Fraud Team has been approved and established, not all posts have been appointed to and it would be short sighted to think that the loss of experience in this field does not increase the possibility of fraud at the Councils.</p> <p>Active monitoring and intervention at a more senior level is being exercised whilst the new unit is being formed and beds in.</p>

3.5 Operational Risks

Operational risks are not included in the strategic, corporate and partnerships risk register. These risks are managed and monitored locally at the directorate and service level. As with service performance indicators, any issues arising from these operational risks may be escalated via performance and risk reports to JMT. In the event of this occurring they would also be reported to the Accounts, Audit and Risk Committee in their quarterly reports.

3.6 Operational risks have already been identified through the development of 2014/15 service plans and will be further reviewed as part of the 2015/16 Service/Business planning process.

3.7 Issues outstanding from 2013/14 Risk Audit – Price Waterhouse Coopers (PWC)

Recommendations from the audit, with resolutions, are detailed below:-

Audit Recommendation	Resolution
Review of Operational Risks	An Operational Risk Review is currently being undertaken as part of the Service Planning process for 2015/16
Standardise format for Service Risk Registers	This issue is being addressed as part of the Operational Risk Review

Progress on these issues will be reported as part of future quarterly risk updates.

4.0 Conclusion and Reasons for Recommendations

4.1 The following options have been identified. The approach in the recommendations is believed to be the best way forward.

Option 1 To support the current approach and having considered the Strategic, Corporate and Partnership risks, report any concerns arising to the Executive.

Option 2 To reject the current approach and proposals and report any concerns arising to the Executive.

5.0 Consultation

5.1 Both CDC Accounts, Audit and Risk Committee and SNC Audit Committee have been consulted on the development of the Risk Strategy

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1 To reject the current approach and proposals and request recommend an alternative approach to risk management. This option is not recommended as it departs from the Council's stated approach to risk management as set out in its risk and opportunities strategy.

7.0 Implications

Financial and Resource Implications

7.1 There are no specific financial implications arising from this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager,
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Legal Implications

7.2 There are no specific legal implications arising from this report,
Comments checked by: Kevin Lane, Head of Law and Governance,
Tel: 0300 0030 107, Email: kevin.lane@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All strategic priorities

Lead Councillor

Councillor Kieron Mallon
Lead Member for Banbury Developments, Communications and Performance.

Document Information

Appendix No	Title
Appendix 1	Quarter 3 Risk Register 2014/15
Appendix 2	Quarter 3 Heat Map
Background Papers	
None	
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