Environment, Development, and Transport Committee

Report title:	Risk Management
Date of meeting:	**11 November 2016**
Responsible Chief Officer:	**Tom McCabe - Executive Director, Community and Environmental Services**

Strategic impact

The Environment, Development, and Transport (EDT) Committee's role includes considering the risk management of EDT's risks. Assurance on the effectiveness of risk management and the EDT departmental risk register helps the Committee undertake some of its key responsibilities. Risk management contributes to achieving departmental objectives, and is a key part of the performance management framework.

Executive summary

This report provides the Committee with information from the latest EDT Risk Register as at October 2016, following the latest review conducted at the end of September 2016. The reporting of risk is aligned with and complements the Performance and Financial reporting to the Committee.

Recommendations:
Committee members are asked to consider;

    a) **the changes to risks judged as exceptions (in paragraph 2.2 and Appendix A), and other departmental risks (in Appendix E);**

    b) **whether the recommended mitigating actions identified in Appendix A are appropriate, or whether Risk Management improvement actions are required (as per Appendix C);**

    c) **the definitions of risk appetite and tolerance in paragraph 2.6.**

1. Proposal (or options)

1.1. The Communities and Environmental Services (CES) Departmental Management Team (DMT) has been engaged in the preparation of the EDT Risk Register.

As part of the overall development of the performance and risk management framework for the Council, the approach to corporate and departmental risk management continues to be refined. This approach involves the development of corporate and departmental level risks that are: outcome focussed; linked to strategic priorities; business critical, identifying areas where failure places the organisation in jeopardy; linked to financial and performance metrics. It is dependent upon a shared understanding of the risk appetite of the Council.
A key element of this work is cultural change and absolute clarity of roles, responsibilities and process. Specifically, clarity of what these risks are, who is responsible for them, what they are doing to actively manage the risks and what measures are in place to hold people to account.

2.   Evidence

2.1.   The EDT Committee risk data detailed in this report reflects those key business risks that are managed by the CES Departmental Management Team, and Senior Management Teams of the services that report to the Committee including; Environment and Planning, and Highways and Transport. Key business risks materialising could potentially result in the Service failing to achieve one or more of its key objectives and/or suffer a financial loss or reputational damage. The EDT risk register is a dynamic document that is regularly reviewed and updated in accordance with the Council's Risk Management framework.

2.2.   The current risks are those identified against departmental objectives for 2016/17. The Exceptions Report in **Appendix A** focuses on risks that have a current risk score of 12 and above with prospects of meeting the target score by the target date of amber or red. There are currently two risks that meet this criteria, as seen in this appendix. A reconciliation of risks since the last September Committee report can be located in **Appendix B.**

2.3.   To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C**. Definitions of the different categories of risks can be found in **Appendix D**.

2.4.   There are two risks for this Committee that are of corporate significance. These are as follows;

1) RM14250: The potential risk that County Infrastructure is not delivered at the required rate to support existing and future needs.
2) RM14248: Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.95m).

These risks can be viewed in **Appendix E,** which provides the Committee members with a summary of the risks on the EDT risk register**.**

Risk RM14250 has recently been refreshed to better represent the funding element of the risk of not delivering infrastructure at the required rate. Amendments have been made to the risk title, description, mitigations and progress against the risk mitigations.

There are emerging risks around the cost of NDR construction which were highlighted at the September EDT Committee. The NCC team continue to work with the main contractor Balfour Beatty and NPS to review costs. The assessment of the risk remains at a forecast additional cost of £6.8m. These risks remain as a forecast at this time based on the planned delivery of the project and the final account being agreed during 2018. There is no risk to the current year programme with any potential additional costs falling in future years.

There remains a strong focus on delivering the project as quickly as possible, to reduce overall costs and to minimise risks. With any project of this size and complexity there are a number of risks that could impact on the cost of delivery, we are now entering the "winter season", which could have an impact on the

programme. The project team will continue actively monitoring and managing the risks.

2.5.   The EDT departmental risk register contains 11 departmental level risks (including the 2 risks above also reported at corporate level), with 2 of these 11 risks with both a current score of 12 or more and the prospect of meeting the target score by the target date at Red or Amber, which fall into the exception reporting category. **Appendix E** provides the Committee members with a summary of the risks on the EDT departmental risk register.

2.6.   Each risk score is expressed as a multiple of the impact and the likelihood of the event occurring.

- Original risk score – the level of risk exposure before any action is taken to reduce the risk
- Current risk score – the level of risk exposure at the time the risk is reviewed by the risk owner, taking into consideration the progress of the mitigation tasks
- Target risk score – the level of risk exposure that we are prepared to tolerate following completion of all the mitigation tasks this can be seen as the risk appetite.

Risk Appetite

Risk Appetite is strategic and directly related to the achievement of the Council's objectives, including the allocation of resources. The risk appetite set by each Committee explicitly articulates the attitudes to and boundaries of risk that the Committee expects Executive Directors to take.

Risk Tolerance

Risk Tolerance is the tactical and operational boundaries and values which enable the Council to control its risk appetite in line with the organisational strategic objectives.

2.7.   The prospects of meeting target scores by the target dates are a reflection of how well the risk owners consider that the mitigation tasks are controlling the risk. It is an early indication that additional resources and tasks or escalation may be required to ensure that the risk can meet the target score by the target date. The position is visually displayed for ease in the "Prospects of meeting the target score by the target date" column as follows:

- Green – the mitigation tasks are on schedule and the risk owner considers that the target score is achievable by the target date
- Amber – one or more of the mitigation tasks are falling behind and there are some concerns that the target score may not be achievable by the target date unless the shortcomings are addressed
- Red – significant mitigation tasks are falling behind and there are serious concerns that the target score will not be achieved by the target date and the shortcomings must be addresses and/or new tasks are introduced.

2.8.   There is one risk that the risk owner has identified as 'prospects of meeting the target score by the target date' as Red. This risk is RM14231: Increase in the amount of left over waste collected by local authorities. This risk is currently still at a red prospect score due to the first month's indicative data showing a 2%

increase on April 2015. The expenditure profile is being closely monitored to ensure that appropriate mitigation action is implemented in a timely manner. A pie chart showing the breakdown of the prospects scores can be located in **Appendix E** with the risk summary.

2.9. The evidence is that risks are being managed to an appropriate level with mitigation tasks being undertaken. In all cases, risks have been reviewed by risk owners to ensure that risk scores and target dates reflect the current position against current service objectives. Risk registers are challenged by the Risk Management Officer to ensure a consistent approach to risk management across all teams.

3. Financial Implications

3.1. There are no significant financial implications arising from this Risk Management report.

4. Issues, risks and innovation

4.1. There are no other significant issues, risks and innovations arising from this Risk Management report.

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

Officer name :   **Adrian Thompson**   **Tel No. :**   **01603 222784**

Email address :   **Adrian.thompson@norfolk.gov.uk**

If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.