

Risk Ref: Key Corporate Risk 2		Date template updated: 18 July 2012	
Cross reference the risk to the Corporate and Service Delivery Plan Objective to which it relates, only key risks that require monitoring will be recorded in the Corporate / Significant Risk Register.			
Corporate Objectives / Service Delivery Objective / Project Objective :		Risk to all 7 Sustainable Community Strategy Priorities – <ol style="list-style-type: none"> 1. Nurture strong communities 2. Create conditions for business growth 3. Unlock the potential of our towns 4. Support our children and young people 5. Ensure a sustainable future 6. Prepare for an increasingly older population 7. Drive out the causes of poor health 	
Risk description should include the cause of the impact and the consequence to the objective which might arise.			
Identified Risk Description: Financial Control: Risk that the Council fails to manage expenditure within budget, due to inaccurate financial planning in both the short term and longer term and/or ineffective financial control leading to a failure to maintain an adequate level of reserves, thereby threatening financial stability and service continuity and preventing the achievement of Cheshire East's 7 priorities.			
Risk Comments: Causes of inaccurate financial planning would be:- <ul style="list-style-type: none"> • an inability to fully anticipate and respond to changes made by central government to funding and the economic situation, • failure of internal processes to focus decision making to ensure we are confident in making realistic decisions Causes of ineffective financial control would be:- <ul style="list-style-type: none"> • weaknesses in the corporate governance framework • culture, skills and competences • non-compliance • breakdown of key systems and processes • weaknesses in the anti-fraud and corruption mechanisms 			
Who owns and is accountable for the risk? Risk Owner: Lisa Quinn, Director of Finance and Business Services		Who is responsible for taking forward the actions? Risk Managed by: Christine Mann, Finance Manager	
		Is the risk new, enduring, dying or re-emerging? Risk Status: Enduring	
Assess the combined risk of the likelihood and impact of the risk being realised before taking account of any controls in place to manage the risk. This is the gross risk score.		Likelihood 4	x Impact 4
		= Gross Risk Score 16	
What controls are already in place to mitigate the risk? Controls could consist of authorisation and approval processes, governance arrangements and monitoring processes, physical controls, segregation of duties, organisational, personnel, management and supervisory controls or arithmetic and accounting controls. Where is the evidence for these controls kept?			
Existing Controls and Evidence: Role of the Chief Financial Officer (CFO) <ul style="list-style-type: none"> • CFO is professionally qualified, reports directly to the Chief Executive and as a member of Corporate Management Team is able to influence decision making. • CFO attends Cabinet and Council to provide direct input on all key decisions and is consulted on/signs off financial input to all Committee reports. • CFO directly involved in Budget scrutiny/challenge process through attendance at Cabinet/CMT Away-Days. • CFO plays a key role in the Business Planning process, providing regular updates to Cabinet and Scrutiny Committees on the financial scenario and Budget position, including the Capital Programme and 			

Treasury Management.

- The CFO reviews the robustness of budget estimates as part of the Business Planning process.

Finance Team

- The Finance Manager (Deputy CFO) is professionally qualified, reports directly to the CFO and is a member of the Extended Management Team.
- Experienced, dedicated Finance Team with significant complement of professionally qualified and part qualified staff.
- Finance Leads/Service Accountants attend all DMT/SMT meetings and provide regular advice to Budget managers on a one-to-one basis.
- Restructure of the Finance organisational structure has been undertaken to align better with the new management structure and Business Planning process.
- The Finance Service Plan sets out the Teams' commitment to supporting Services in applying financial control.

Constitution and Schemes of Delegation

- Clearly defined financial roles, responsibilities and decision making processes, set out in the Council's Constitution, Finance & Contract Procedure Rules, Local Schemes of Delegation and Financial Schemes of Delegation.
- The Finance Procedure Rules have been updated to reflect the CIPFA Statement on the Role of the Chief Financial Officer.
- Standard templates for Member level decisions require financial implications and risks to be clearly set out.

Business Planning Process

- Robust and fully integrated Business Planning process based on the Sustainable Community Strategy priorities and delivered through Service Plans and Personal Development Plans.
- Permanent impact of outturn issues addressed as part of Budget setting and forward financial planning.
- Comprehensive financial scenario applied through five measures as set out in Section 1 of the Business Plan.
- The Business Planning Process was significantly improved and strengthened for the 2012/15 process, which was commented upon in the Annual Governance Report.

Reserves Strategy

- Reserves Strategy incorporating specific analysis of financial risks, forward forecasting and assessment of the adequacy of general reserves.
- The level of balances is reviewed annually and a detailed risk assessment is undertaken to ensure adequacy of reserves relative to potential commitments.
- Quarterly financial updates, incorporating variance analysis and outturn projections at service level and overall assessment of impact on general reserves.

Financial Management System

- Fully integrated financial management system (Oracle), with comprehensive system access and security controls.
- Well developed suite of financial reporting tools providing scheduled and ad-hoc reports for management and monitoring purposes.
- Oracle R12 upgrade has been undertaken, including financial reporting enhancements.
- Financial Reporting Centre developed for roll-out to all budget managers during 2012/13 including standard suite of monthly monitoring reports in user-friendly format.

Internal Control

- Corporate Governance Group meet on a regular basis, key responsibilities include the co-ordination of the development of the Annual Governance Statement and the delivery of the Corporate Governance framework.
- On-going review by Internal and External Audit teams, of the adequacy and effectiveness of financial and management controls.
- Robust anti-fraud and corruption framework comprising : Anti Fraud & Corruption Strategy, Benefits Anti- Fraud and Corruption Strategy, Member and officer Codes of Conduct, Confidential Reporting Procedure, Anti-Money Laundering Policy, Customer Compliments, Comments and Complaints process, Benefit Fraud hot-line and participation in National Fraud Initiative.

- The Council has a Fidelity Guarantee insurance policy in place to mitigate against losses arising from theft and misappropriation.

Training & Development

- Some financial training undertaken – ‘Understanding Local Government Finance’ module delivered as part of the Corporate Management Training Programme.
- Individual one to one training/coaching with Budget managers and targeted service training e.g. accounts closure.
- Training for Audit & Governance Committee members.
- Specific areas of specialism have been identified and Audit & Governance Committee Members have been nominated to each specialism to improve knowledge and expertise.
- Financial Reporting Centre training for Budget managers as part of a pilot roll-out, including the Financial Management context.

Business Management

- Business Management delivery model now embedded and the Business Management Programme delivered through the Business Architecture Group.
- Work on developing supporting back-office processes, with a view to improving transactional compliance and the accuracy, timeliness and completeness of financial information is underway.
- Compliance reports developed to highlight areas of ‘off-vision’ or sub-optimal financial processing.
- ‘No PO, No pay’ and ‘Think Twice’ initiatives implemented to improve control over purchasing.
- Finance Team working in partnership with HR to improve the HR and Finance reporting hierarchies in Oracle.

Value for Money

- Value for Money Strategy in place to underpin the 2012/15 Business Planning process.
- Charging and Trading Strategy in place for Service Managers to develop their income strategies as part of the Business Planning process.

Annual Audit

- Clean audit opinion year on year.
- Positive VFM conclusion in the 2010/11 Financial Statements and Annual Governance Statement agreed.
- Produced a plan to respond to specific audit findings coming out of statutory audit of 10/11 accounts.

Benchmarking

- Benchmarking analysis undertaken as part of CIPFA Benchmarking Club and action planning taken as required.
- Significant benchmarking and customer satisfaction exercises conducted for the major Shared Services.

Assess the combined risk of the likelihood and impact of the risk being realised after taking account of the existing controls in place to manage the risk. This is the net risk score – as it is now.

Likelihood

3

x Impact

4

= Net Risk Score

12

Is the net risk now acceptable or not? Are there further reasonable controls or planned actions you can take to manage the risk down to an acceptable level? If not, consider the need for a contingency plan for what will happen

n if the risk is realised. Members of the Corporate Risk Management Group are responsible for ensuring that actions proposed to mitigate corporate and significant operational risks are sufficient and proportional to the risk identified.

Future Planned Actions / Contingency:

Business Planning Process

Further significant improvement in the Business Planning process, including five-year visioning and capital planning.

Early development of policies and service delivery options through officer and Member task groups (could be through the new Member Policy Groups).

Review of changes in the national funding regimes (including Welfare Reform and Local Gov Finance Bill and Localisation of Council Tax and Business Rates)

More sophisticated financial model leading to a three-year balanced Budget position.

Financial Management System

Continued development of the Oracle system through the joint Oracle Programme Board with Cheshire West and Chester.

Continued development of the Financial Reporting Centre to include payroll forecasting, capital monitoring

and improved commitment reporting.

Improvement in the integration of Service systems that feed commitment information to the monthly and quarterly financial forecasts.

Internal Control

Further work planned through the Corporate Governance Group to improve compliance with Finance and Contract Procedure Rules.

Training & Development

Further develop financial training programme to ensure clear understanding of roles and responsibilities and promote financial literacy at officer and member level.

Complete the roll out of the Financial Reporting Centre to all identified Budget managers.

Business Management

Continued delivery of the Business Management Programme through the Business Architecture Group.

Value for Money

Strengthening of the application of the Value for Money Strategy and the Income and Trading Strategy as part of the 2013/16 Business Planning Process.

Benchmarking

Ongoing work on identifying key cost drivers for significant service activities and the development of appropriate monitoring arrangements to allow for early identification of outturn issues.

Next Review Date:

October 2012

Some risks require weekly or monthly monitoring, others will only need to be revisited following the proposed date for the completion of the planned action.

The reason for monitoring key risks is to create an early warning system; risk registers should be regularly reviewed and amended. Questions asked during monitoring are: Is the risk still relevant? Is there any movement in the net risk score? Are the controls still in place and operating effectively? Has anything occurred which may change its impact and/or likelihood? Have any significant control failures or weaknesses occurred since the risk was last monitored? Is the risk increasing - do I need to devise more controls? Is the risk decreasing - can I relax existing controls?

Monitoring Arrangements:

Business Planning process reported to Cabinet and reviewed through the Budget Task Group.

CMT and Cabinet review through quarterly financial updates, with comments from Corporate Scrutiny Committee.

Monthly reporting to CMT and Cabinet as part of the Monthly Performance report produced via CorVu.

Capital Programme monitored and reviewed through the Capital Asset Group.

Weekly Finance Management Team meetings and fortnightly meetings with Director of Finance and Business Services.

Finance Team member attends Directorate Management Team and Service Management Team meetings.

Ongoing internal and external audit reviews reporting on issues.

Complaints procedure and Whistle blowing Procedures to alert to any irregularities.

Finance Service Plan with built in monitoring & KPIs.

Benchmarking analysis undertaken as part of CIPFA Benchmarking Club

Future Issues:

Further changes in local government funding regime.

Failings of other providers, financial collapse leaving Cheshire East to deal with the economic impact etc.

New service responsibilities – e.g. Public Health will need to be balanced against resources made available through funding transfers.

Changes to service delivery models nationally and locally e.g. welfare reform, outsourcing, shared services, will require significant changes to operational and budget management arrangements.

Fresh concerns about the present economic climate and this may work against us.

Impact of funding on the back of Academy Transfers (claw back and recoupment of formula grant)

Volatility in budgets due to various changes and may make budget forecasting more difficult.

Predict the combined risk of the likelihood and impact of the risk being realised after taking account of the existing and planned controls in place to manage the risk. This is the target

Likelihood

3

x Impact

4

= Target Score

12

risk score.			
Comments <p>13 Oct 2011: The net score remains 12 which is high risk, although a number of controls have been strengthened, the overall economic situation and scale of organisational change continues to present a challenging climate.</p> <p>2 Feb 2012: The likelihood of this risk materialising remains high due to general economic uncertainties and risks associated with proposed changes in national funding arrangements and new legislation. This is therefore at the top end of 3 very likely. The impact on the corporate objectives if this risk materialised will always be a 4 critical.</p> <p>18 Jul 2012: No change to previous update, the likelihood of this risk materialising remains high due to general economic uncertainties and risks associated with proposed changes in national funding arrangements and new legislation. This is therefore at the top end of 3 very likely. The impact on the SCS priorities if this risk materialised will always be a 4 critical.</p>			