

TITLE: CORPORATE RISK REGISTER – REVIEW (A6 AND C3)

Committee: Audit Committee

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Author: Chief Executive

Report No: Y63

Contact Officer: John Hill, Chief Executive

Email: john.hill@eastcambs.gov.uk

Tel No: 01353 616271

Room No. 103, The Grange, Ely

1.0 ISSUE

1.1. Review of Corporate Risk Register.

2.0 RECOMMENDATION(S)

2.1. Members are requested to:

- (i) note the changes to the Corporate Risk register in relation to A6 and the inclusion of risk A7 as detailed in Appendix 1;
- (ii) acknowledge and support the requirement to amend the Memorandum of Agreement (MOA) (to be reported to Council ref: 19 October 2023);
- (iii) recommend to Operational Services Committee to undertake a review of the Waste and Recycling service and prepare a project plan for implementation by 2025;
- (iv) note that the Chief Executive as Head of Paid Services is implementing urgent changes to the organisational structure to enhance the client side and provide clarity between the Council and ECSS.

3.0 BACKGROUND/OPTIONS

3.1. The Audit Committee (ref: 17 July, Agenda Item 10) resolved (in summary) to:

- change the control on risks A2 and A6 in relation to the attendance of the S151 and Monitoring Officer at Board meetings;
- request the Risk Management Group (RMG) to review risks A6 and C3 in relation to the reporting of ECSS overspend to Council;
- the possible attendance of Audit Committee members at the relevant RMG.

3.2 Specifically in relation to the second and third resolution summarised above, the Chief Executive proposed a course of action to implement the review. It would not have been appropriate for members of the Committee to attend an officer meeting and may have been counter productive in meeting the overall objectives of the Committee. As an alternative, the Chief Executive attended and facilitated

discussions at the RMG on 14 September 2023 calling on the appropriate evidence.

3.3 Consequently, the Chief Executive has made a series of recommendations to the Committee as set out in paragraph 2.1. This includes recommendations to other member bodies for consideration where powers are outside the remit of Audit Committee.

4.0 ARGUMENT/CONCLUSIONS

4.1. In addition to attending and facilitating the RMG, the Chief Executive has also reviewed the timeline (including governance) of the ECSS 2022/23 overspend and revisited the live feed of the previous Committee.

4.2. In scoping the recommendations set out in paragraph 2.1, the Chief Executive has considered the following issues specifically:

- the current inherent and residual risk in relation to A6 and C3;
- the 'Risk Descriptions' of A6 and C3 (and implications for A2 and B1);
- the extent to which the ECSS 2022/23 overspend points to limitations in financial and governance arrangements between the company and the Council;
- any implications for the Risk Management Strategy particularly in relation to the alignment and appropriateness of risk score and RAG rating in relation to monitoring and risk appetite;
- the extent to which recommended action and mitigations fall outside of the remit of the Audit Committee;
- any strategic issues that need to be brought to the attention of Council or Policy Committee (by means of recommendation) to seek to mitigate the corporate risk;
- review of recent developments in relation to A6 and C3, specifically in relation to ECSS and potential revisions to appropriate risk register items.

4.3. Prior to addressing the issued in paragraph 4.2, it is worthwhile to revisit the timeline of the governance related to the 2022/23 ECSS overspend and conclusions arising from this analysis.

- **ECSS Board reporting**

- 7 March 2022 (ref Agenda Item 4) – Business Plan 2022/23 approved (i)

- 31 January 2023 (ref Agenda Item 4) – 2022/23 Financial Matters (ii)

- **ECDC Formal reporting**

- 21 March 2022 Operational Services Committee (ref Agenda Item 6) – ECSS Business Plan 2022/23 approved

- 13 June 2022 Operational Services Committee (ref Agenda Item 11) – Q4 Performance Report (iii)

14 November 2022 Operational Services Committee (ref Agenda Item 9(a)) – Q1 Performance Report (iv)

23 January 2023 Finance and Assets Committee (ref Agenda Item 11 Appendix 2) – Finance Report (v)

21 February 2023 Council (ref Agenda Item 16) – East Cambs Street Scene Management Fee (vi)

Notes

- (i) *Board approved Business Plan but it was noted and minuted that there was little room for manoeuvre if costs increased more than the budget.*
- (ii) *December accounts issued to the Board showed a forecasted loss of £487,000. The impact of staff negotiation which concluded early November was fully factored into these projections.*
- (iii) *Operational Services Committee updated on action taken by management to address performance and cost. Please note that there were no financial implications of these actions brought to the attention of the Committee (ref: para 8.1 Agenda Item 11).*
- (iv) *ECSS Annual Accounts noted and Q1/Q2 performance reports noted. Please note that there were no financial implications brought to the attention of the Committee in the report (ref: para 8.1 Agenda Item 11).*
- (v) *An estimated overspend of £300,000 was shown on the Council's Q3 Finance report on the Waste line.*
- (vi) *Council agreed the additional management fee from ECSS (ref: Agenda Item 16).*

4.4 There was a series of informal correspondence with Members in relation to the performance of the service and the implementation of the Action Plan, specifically 16/30 June 2022; 30 August 2022; 6 October 2022; 1 November 2022 and 14 November 2022 (Parishes).

4.5 Prior to detailing the proposals for consideration by the Audit Committee, there are a number of broad observations and conclusions arising from analysis of the timeline in paragraph 4.3 and the wider review of risk and governance issues undertaken by the Chief Executive:-

- the formal reporting to the ECSS Board and to ECDC Member bodies did not fully reflect the emerging financial pressures facing ECSS;
- whilst the majority of the overspend in 2022/23 (£314k out of £458k total overspend) was not quantifiable until after the conclusion of staff consultation in November 2022 and it would have been inappropriate to have done so, there were other cost pressures which should have been reported formally to ECSS and ECDC earlier in the financial year;
- there are governance failures in relation to Memorandum of Agreement which does not provide a formal mechanism to escalate known and projected overspends to the Council and its shareholder committee;
- there were inconsistencies in the corporate risk register in terms of A6, specifically, the inherent and residual score; its RAG rating; the definition of

risk; comparison with A2 and lack of clarity around the risks specifically facing the Council and separately, ECSS;

- significant mitigations have been put into place or planned to reduce the likelihood of repetition such as circulation of Board agendas and papers to all Members; regular reporting of management accounts to ECSS and proposed revisions to the MOA. Nevertheless, there remains considerable challenges facing the service operationally and strategically;
- the strategic challenges facing the service are escalating with impact of legislation on both the waste collection and disposal authority and the review of the Council's waste and recycling service due by 2025. There is a requirement for increased resources on the client side and greater separation and clarity between the roles and responsibilities of the Council and ECSS, particularly at senior management level.

5.0 PROPOSALS

5.1 In response to the issues highlighted in paragraph 4.2, the Chief Executive has made recommendations as detailed in paragraph 2.1, specifically:

- changes to the residual and inherent score for A6 leading to a change in the current RAG rating to Red;
- clarifying the description of A6 to ensure focus on the delivery of the whole of the Business Plan including financial and performance risks;
- no proposed change to C3;
- a new corporate risk (A7) related to the Waste and Recycling service exclusively on the Council as a strategic player and as a client;
- acknowledgement and support for short term urgent changes to MOA (as recommended to Council, 19 October 2023);
- recommending to the Operational Services Committee to undertake a strategic service review and prepare a project plan for the review of the service to be implemented by 2025;
- note that the Chief Executive as Head of Paid Service will implement restructuring to enhance the client side function in ECDC and provide greater clarity and separation between the client and contract side.

6.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT

6.1. There are no financial implications arising from this report at this stage.

6.2. Equality Impact Assessment (EIA) and Carbon Impact Assessment (CIA) are not required.

7.0 APPENDICES

Appendix 1 – Changes to the Corporate Risk Register (Revised A6 and new A7)

Background Documents:

Audit Committee – 17 July 2023

Agenda Item 10