

**Meeting: Overview and Scrutiny Committee**

**Date: 2 April 2013**

**Title: Recommendation from Council on the Risk Management issues associated with the Business and Technical Packages**

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**Service:** Finance and Resources

**Directorate:** Finance and Resources

**Wards affected:** All

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## **1. Purpose of Report**

1.1 The purpose of the report is twofold:-

- a) To set out a proposal that will be considered by Cabinet on 13 May 2013. The proposal relates to the Council Amendment of 24 January 2013 that Cabinet consider setting up a Monitoring Committee with all party membership to monitor all red risk issues on a six weekly basis for the Business and Technical Partnerships; and,
- b) To set out responses to the questions raised by Members at the Overview and Scrutiny Committee on 4 March 2013.

## **2. Recommendations**

2.1 Overview and Scrutiny Committee are recommended to:-

- a) Consider the information in the report; and
- b) Make any recommendations to Cabinet.

## **3. Details**

3.1 As a result of a Council motion agreed on 26 July 2012, full Council considered a report on the risks of outsourcing at its meeting on 27 September 2012. At the meeting, Council requested that a further report be submitted back to full Council detailing the risk management implications associated with the business and technical packages. This report was considered at the meeting on 24 January 2013 where an amendment was moved that:-

'The Cabinet considers setting up a Monitoring Committee with all party membership to monitor all red risk issues on a six weekly basis'.

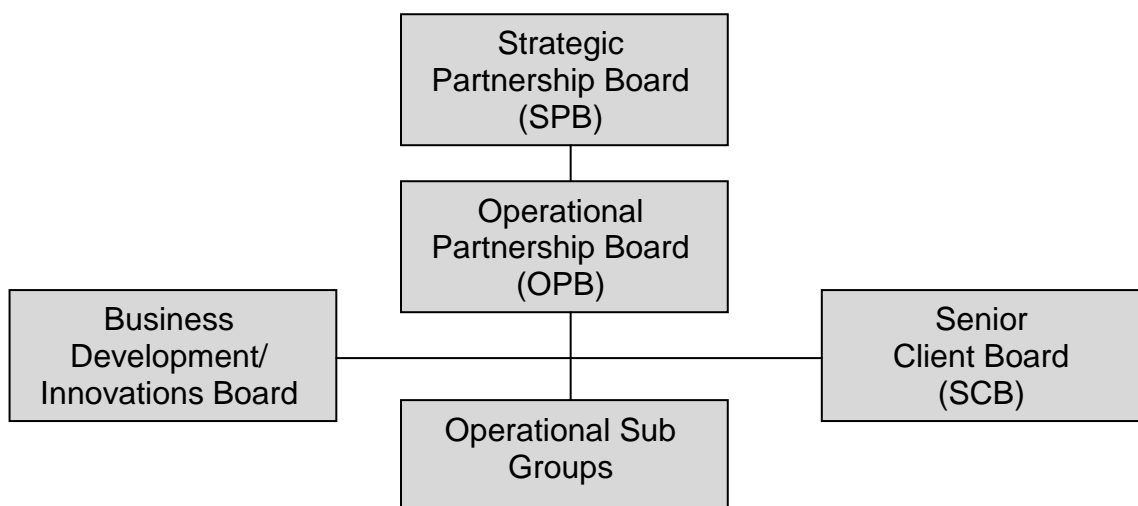
#### Risks tabled at Council on 24 January 2013

- 3.2 The risk register is very much a living document which has continually changed since its inception in October 2011. The risk register appended to the 24 January 2013 Council report was the version that was in place as Cabinet took its decision in August 2012. Those risks largely related to the decision and the procurement process itself and are now closed. Members have queried why certain risks were not listed. For example, the risk that there could be a change of political administration. This did not appear as there was no risk of such an event ahead of the decision being taken and the contracts being awarded.
- 3.3 Once the contracts were signed, the project team worked jointly with Balfour Beatty and Capita Symonds to assess the risks documented within each of the service areas. Those within the control of the Council were retained and the day to day service delivery risks were transferred to our partners to be managed by them. Some risks are jointly owned between the Council and the partners to work together to manage.

Following this re-assessment, the agreed risk management approach for the Partnerships is set in paragraphs 3.4 to 3.9 below.

#### The ongoing approach to Risk Management

- 3.4 The Business and Technical Partnerships with Balfour Beatty and Capita Symonds went live on 1 November 2012. Governance frameworks were put in place for each Partnership. These arrangements were considered and agreed at the Business and Technical Strategic Partnership Boards in November 2012. Each framework is based upon the following reporting hierarchy:-



- 3.5 A Member Partnership Forum is also provided for within the Business Contract to ensure effective member consultation.
- 3.6 The governance framework documents show how risk will be managed on an ongoing basis. They explain that risk is considered as a standard agenda item at every meeting of all the Boards shown above. In practical terms, each Board considers risk in the following way:-

- SPB – Strategic Risk Register
- OPB – Strategic and Operational Risk Registers
- SCB – Operational Risk Register

3.7 The relevant risk register is tabled at the meeting along with a covering report which highlights the current red risks and also any variances since the last meeting. Beneath these Boards, there are Sub Groups mirroring each of the service areas within the Partnerships. They meet regularly and also consider the operational risks.

3.8 A reporting mechanism within the frameworks ensures that any significant issues or risks are escalated upwards. All of the Boards consider escalations that they wish to make at each meeting.

3.9 The first quarterly full review of the risks took place in February 2013 to ensure that they are still relevant and also that the controls are adequate and working. New risks are documented as they arise.

#### Impact of the Council recommendation

3.10 The governance framework for each partnership allows for the management of risk at every level in its structure. Introducing further monitoring arrangements would duplicate this and risk undermining the formal agreed arrangements.

3.11 The governance arrangements work to a monthly cycle linked to the measurement and reporting of the KPIs and by default, risks are also considered within this monthly cycle as explained in paragraphs 3.4 to 3.9 above. This alignment ensures that the risks can flex with the progress of each partnership. A six weekly Monitoring Committee for risk would be out of synch with this.

3.12 There are currently 9 red risks on the strategic registers (6 for Business and 3 for Technical). As they are strategic in nature, there would be little movement within each six weekly period. Operational Risks are the responsibility of officers and the majority of these have transferred to our partners to manage.

3.13 A Monitoring Committee would allow members to raise new risks and may give some comfort that their concerns are being taken into account. Once documented, new risks would be maintained, reviewed and updated as part of the ongoing approach to risk. In this respect, there may be little additional work for the officer team. However, a six weekly Monitoring Committee would need to be administered and this would have resource implications.

#### Other considerations

3.14 Member contract briefings

In line with Overview and Scrutiny's original recommendations in August 2012, member briefings have been offered to each political group to explain the contracts and how they operate. It is proposed that they will include:-

- An overview presentation
- A contract summary of each of the contracts
- The KPIs for each of the contracts
- The Strategic Risk Registers for each of the contracts

3.15 Member scrutiny of partnership performance

Members are also keen to scrutinise how the Partnerships are performing. Following the Business Strategic Partnership Board (SPB) on 5 March 2013, the officer team are considering how this might be reported to Cabinet and onwards to Overview and Scrutiny. It is proposed that this is a quarterly performance report that also includes the red strategic risks. This would mean that members have a more detailed pack of information, not just the risks.

It is important that the member briefings highlighted in paragraph 3.14 take place before any arrangements for the scrutiny of performance are considered so that members have a clear understanding of the contracts they are scrutinising.

#### Recommendation

- 3.16 It will be recommended to Cabinet that the management of risk remains the responsibility of the formal governance arrangements of the Partnerships and that a quarterly Performance and Risk Report is considered by Cabinet and subsequently Overview and Scrutiny Committee on an ongoing basis.

#### **4. Appendices**

Appendix 1 – Responses to questions raised at Overview and Scrutiny Committee on 4 March 2013.

#### **5. Background Information**

- 1) Risk Management issues associated with the Business and Technical Packages, Council 24 January 2013.
- 2) Change Efficiency and Improvement Programme: Business and Technical Package Procurement – selection of Preferred Bidders, Cabinet 13 August 2012.