BOROUGH COUNCIL

AGENDA ITEM: 9

SUMMARY

Report for:	**Cabinet**
Date of meeting:	**22 July 2014**
PART:	**1**
If Part II, reason:	

Title of report:	**Strategic Risk Register - Refresh**
Contact:	Councillor Nicholas Tiley, Portfolio Holder for Finance & Resources Martin Hone, Corporate Director (Finance & Operations)
Purpose of report:	To recommend changes to the way in which the Council's Strategic Risk Register is compiled and managed in order to strengthen the links between risk management, the Corporate Plan, the Medium-Term Financial Strategy and other strategic plans.
Recommendations	It is recommended that Cabinet approve the revised approach to developing and managing the Strategic Risk Register set out in Part Three of the Background Report.
Corporate objectives:	Corporate Governance
Implications: 'Value For Money Implications'	<u>Financial</u> Effective strategic risk management reduces the time and associated costs of dealing with unforeseen events. It is therefore essential to have regard to risk management in maintain the Council's medium-term financial strategy. <u>Value for Money</u> Effective strategic risk management is a key tool in ensuring that services are provided as effectively, efficiently and economically as possible. By anticipating and mitigating risk, costly short term urgent actions are avoided as far as possible in delivering services.

Risk Implications	Risk Assessment completed on 5 July 2014.
Equalities Implications	Equality Impact Assessment reviewed/carried out* N/A
Health And Safety Implications	Effective risk management supports the Council's Health & Safety policies. By giving careful thought to the risks inherent in projects and changes in the ways services are delivered, the health and safety of both service users and staff are better protected.
Monitoring Officer/S.151 Officer Comments	**Monitoring Officer:** The Monitoring Officer supports the recommended changes to the Strategic Risk Register. **S.151 Officer:** Comments have been incorporated within the report.
Consultees:	Linda Dargue, Insurance & Risk Manager Budget Review Group Corporate Management Team
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	None.

Part One: BACKGROUND

Risk management is a well-established requirement of good corporate governance and features heavily in audit inspections and assessments. The Council's Internal Audit Service advises that the fundamentals of the risk management process are sound and operating well at an **operational** level. This report focuses on ways of improving risk management at the **corporate** level.

The Council's Corporate Plan sets out the Council's objectives for those things it wants to achieve. The Strategic Risk Register (SRR) provides more details of the specific risks facing the Council and the measures that are in place, or will be implemented over the planning period, to avoid, transfer or reduce any barriers that might prevent the Council from achieving its objectives as set out in the Corporate Plan. The current SRR is attached as Appendix One to this report.

The SRR must be comprehensive and include all risks identified in the Corporate Plan, as well as in the various Council strategies that support the Plan (e.g., Medium-Term Financial Strategy, Asset Management Strategy, Business Continuity Plan). By the same token, except in exceptional circumstances, there should not be any risks included in the SRR that are not mentioned in the Corporate Plan. The SRR must cover all services the Council provides, and include any risks that relate to planned long term changes to service delivery (e.g., major capital investment, major contract lettings, major procurements). These risks include areas such as human resources, finance, technology, managerial, political, environmental, social, contractual and legal. These are included in the ISO Risk Management Standard adopted by the Council and collected under four areas of risk: Financial; Infrastructure; Marketplace; and Reputation. Because of the rapid development of financial planning and asset management over the past 18 months at the Council, the SRR does not currently adequately support the key strategic aims of the Council and it is necessary to update the Council's approach to corporate risk in order to ensure that risk is properly evaluated and managed over the medium term planning period. In addition, the Corporate Plan sets out many opportunities for improvement but the SRR as currently developed does not consider or evaluate these opportunity risks.

Part Two: CURRENT ASSESSMENT

The most fundamental change required to the Council's approach to corporate risk is to expand the scope of the process to include opportunities as well as risks. The current SRR ignores two issues that are absolutely vital to the success of the Council's ambitions for the borough:

> That it will fail to take advantage of the opportunities anticipated in the Corporate Plan (e.g., the creation of jobs and affordable housing);
>
> That it will miss other opportunities to benefit the Council and its residents (e.g., Government funding opportunities, improving services and reducing costs through the use of technology).

At present, officer and Member involvement or engagement in the risk management process tends to come toward the end of the process in monitoring risks identified (mainly through the Council's Overview & Scrutiny Committees). There is significant scope for officers and Members to be involved in risk identification prior to significant decisions being made. As an example, the risks involved in a large project are often well understood by the project sponsor but less so by the Corporate Management Team and Members who are making the decision to approve the project.

Whilst the fundamentals of the risk management process operate effectively within the Council, there are opportunities to improve the risk reviews and risk registers for key projects and ensure that these tie into the Council's Risk Management strategy and project management approach.

Risk appetite is not formally defined and consistently applied across all areas of the Council's activity. Key stakeholders including the Corporate Management Team and Members should be involved in defining risk appetite for the Council.

Whilst at an operational level there is a clear review and reporting process around risks identified through to the Corporate Management Team, the same cannot be said for review and reporting of corporate risks through to Members. There are opportunities for wider Member involvement in the review of risks and for the Audit Committee to complete a review of this on a regular basis.

Properly embedded in the planning processes, the SRR can help to shape the culture of the Council.

Part Three: RECOMMENDED CHANGES

The current SRR (see Appendix One) will be updated over the summer as part of the work of the Budget Review Group and will be reported to Cabinet and Overview & Scrutiny Committees in September.

The following changes to the SRR are recommended:

- It is synchronised with the Corporate Plan, with both documents showing all current strategic risks and the risk owner for each;
- It is synchronised with the MTFS to ensure that resources have been prioritised to deal with strategic risks that cannot easily be mitigated;
- It covers the same planning period as the Corporate Plan and the MTFS;
- It includes the opportunities facing the Council over the planning period as well as known risks;
- The SRR is jointly 'owned' by the executive (Cabinet) and senior management (CMT);
- It must show more clearly how corporate risk management helps to achieve the Council's corporate objectives (e.g., reduction in insurance premiums, fewer business interruptions, increased resilience, improved compliance, inspection regimes satisfied, rating compared to neighbouring authorities);
- It must show more clearly how corporate risk management supports the Council's change agenda. For example: setting out an agreed approach to dealing with risks identified by Cabinet, Overview and Scrutiny Committee's, Chief Officer Group, or CMT; improved communication across the Council; increased confidence in the ability to manage and deliver services and projects; external confidence with partners and peers; focus and prioritisation of scarce resources based on evidence of risk reduction and mitigation).