Gloucester City Council

Meeting:	**Audit and Governance Committee**	**Date:**	**21st November 2016**
	Cabinet		**11th January 2017**
Subject:	**Risk Management Update**		
Report Of:	**Head of Audit Risk Assurance (Chief Internal Auditor)**		
Wards Affected:	**Not applicable**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
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Appendices:	**1. Strategic Risk Register as at 8th November 2016**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To present the Strategic Risk Register to Members for their awareness and consideration, and to update Members on risk management activity at Gloucester City Council.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RECOMMEND** that the Strategic Risk Register be noted and endorsed.

2.2 Cabinet is asked to **RESOLVE** that the Strategic Risk Register be noted and endorsed.

3.0 Background and Key Issues

Background

3.1 The Accounts and Audit Regulations 2015 state that 'a relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk'.

3.2 Risk management is a core part of the Council's corporate governance framework and internal control environment. It is one of the six core principles within the Council's Code of Governance (part of the Council Constitution) – 'taking informed and transparent decisions which are subject to effective scrutiny and managing risk'.

3.3 The Council Risk Management Strategy provides the framework for the effective management of risks and opportunities within the Council, supports decision

making at all levels, and aids delivery of the Council Plan priorities and objectives. The Strategy also includes the process for monitoring and reporting of strategic risks. The Risk Management Strategy was last updated and approved by Members in January 2015 (Cabinet approval following recommendation by Audit and Governance Committee). Review of the Risk Management Strategy against the latest risk management standards is currently in progress (see paragraphs 7.1 and 7.2).

3.4   The Risk Management Strategy requires the Council to assess risks at a strategic level through documentation and management of the Strategic Risk Register. The Strategic Risk Register is owned and formally reviewed by Senior Management Team (SMT) on a regular basis. Strategic risk owners are at SMT level.

3.5   A requirement of the Risk Management Strategy is for Member receipt and endorsement of the Strategic Risk Register on a biannual basis by the Audit and Governance Committee and Cabinet. This is to enable Member awareness of the strategic risks facing the Council and the impact on decisions to be made by the Council.

3.6   This report is the first Strategic Risk Register update to Members within 2016/17.

Strategic Risk Register – position and review

3.7   The process for officer review and update of the Strategic Risk Register includes:

- Update of individual strategic risks by designated risk owners on an ongoing basis (including risk scores, current control position, further mitigating actions required and their timing);
- Regular formal review of the Strategic Risk Register by SMT, including review and challenge of current strategic risks and consideration of potentially emerging strategic risks; and
- Administration and update support from the Officer Risk Management Champion (including maintenance of version audit trail).

Operational risk registers are held at service, partnership and project levels. Where operational risks are high scoring or have potential strategic implications, these are also considered through the above process and added to the Strategic Risk Register where appropriate.

3.8   The Strategic Risk Register is documented in line with the Risk Management Strategy risk register template and assesses strategic risks over three stages:

- Original risk score: the impact and likelihood of a risk if no action were taken;
- Current risk score: the impact and likelihood of a risk considering current controls in place; and
- Mitigated risk score: the target risk score, achievable following full implementation of the agreed further mitigating actions.

Emerging strategic risks (risks that may have a future strategic impact) are also documented and considered by SMT within the Strategic Risk Register.

3.9   The Strategic Risk Register was last reviewed and updated by SMT on 8th November 2016. See **Appendix 1**.

Strategic Risk Register – changes since last Member review:

3.10   The Strategic Risk Register version last reviewed by Members was within the 2015/16 Civic Year. The main areas of Strategic Risk Register update between 2015/16 and 8th November 2016 (**Appendix 1**) are summarised below:

-   Strategic risks removed:
    o   Devolution (both added and removed from the Strategic Risk Register); and
    o   Lack of resilience in the senior management structure.

-   Strategic risks added:
    o   Inability of the Council to identify viable plans to achieve savings;
    o   Uncertainties arising from the UK leaving the EU with the possible impact on funding and policy change from the DCLG; and
    o   Devolution (both added and removed from the Strategic Risk Register).

4.0   Asset Based Community Development (ABCD) Considerations

4.1   There are no ABCD implications as a result of the recommendation made in this report.

5.0   Alternative Options Considered

5.1   The alternative option is not to present the Strategic Risk Register to Members. This is not compliant with the Council Constitution and the CIPFA: Audit Committees Practical Guidance for Local Authorities and Police (2013). The alternative option does not support strategic risk awareness or informed prudent decision making.

6.0   Reasons for Recommendations

6.1   To support Member awareness of the strategic risks facing the Council and the management of those risks.

6.2   Compliance with Council policy and good practice:

-   The Council's Constitution confirms that the Leader and Cabinet function is to review the Council's Strategic Risk Register on at least an annual basis. The Constitution includes risk management as an Audit and Governance Committee function and area of responsibility;
-   The Council Code of Governance requires the Council to ensure that an effective risk management approach is in place. This is supported by the Council's Constitution and Risk Management Strategy;
-   The Council Risk Management Strategy requires the Strategic Risk Register to be reviewed by Members through Audit and Governance Committee and Cabinet on a bi-annual basis; and
-   The CIPFA 'Audit Committees – Practical Guidance for Local Authorities and Police (2013)' confirms that the role of an Audit Committee includes keeping up to date with the risk profile of an organisation through regular review of the risk profile and areas of strategic risk.

7.0 Future Work and Conclusions

7.1 The Council's Annual Governance Statement 2015/16 Improvement Plan includes the following action with a target date of 31st March 2017 - 'The Chief Internal Auditor will review the Council's risk management arrangements (including the Risk Management Strategy) against the latest ISO 31000 risk management standard. The review findings will be reported to Audit and Governance Committee and will inform future risk management development at the Council.'

7.2 The review of the Council's risk management arrangements is currently in progress and an update is due to be presented to Audit and Governance Committee on 23rd January 2017.

7.3 SMT will continue to own the Strategic Risk Register and complete formal review on a regular basis, updating the Strategic Risk Register as appropriate to ensure that it reflects the Council's current risk position. The next Strategic Risk Register update to Members will be captured within the Annual Risk Management Report 2016/17, planned for presentation to Audit and Governance Committee in March 2017.

8.0 Financial Implications

8.1 Review and update of the Strategic Risk Register is completed by responsible officers and Members and delivered within existing resources.

8.2 There are a number of risks within the Strategic Risk Register which, if not managed, have the potential to expose the Council to financial costs which are not provided for within existing budgets. The documented current controls and mitigating actions aim to manage the risk of Council exposure to these costs.

(Financial Services have been consulted in the preparation this report).

9.0 Legal Implications

9.1 It is fundamental that the Council has and maintains a Risk Management Strategy which considers identification, recording and management of risks to the Council in the delivery of its priorities and objectives.

9.2 The existence and application of an effective Risk Management Strategy (including Member review of the Strategic Risk Register and awareness of strategic risks) assists prudent decision making. Failure to identify and manage strategic risks could lead to inappropriate decision making, unnecessary liability and costly legal challenge.

(One Legal have been consulted in the preparation this report).

10.0 Risk and Opportunity Management Implications

10.1 The lack of a robust approach to the management of risks and opportunities could result in inappropriately informed decision making and non-achievement of the Council's priorities and objectives at both strategic and service levels.

11.0 People Impact Assessment (PIA):

11.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

<u>Community Safety</u>

12.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

<u>Sustainability</u>

12.2 There are no 'Sustainability' implications arising out of the recommendations in this report.

<u>Staffing and Trade Union</u>

12.3 There are no 'Staffing and Trade Union' implications arising out of the recommendations in this report.

Background Documents:

- Accounts and Audit Regulations 2015;
- CIPFA: Audit Committees – Practical Guidance for Local Authorities and Police (2013);
- Council Constitution 2016/17; and
- Risk Management Strategy.