

Gloucester City Council

Meeting:	Audit and Governance Committee	Date:	9th March 2020
	Cabinet		11th March 2020
Subject:	Strategic Risk Register Update		
Report Of:	Head of Audit Risk Assurance (ARA): 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 25th February 2020		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present the Strategic Risk Register as at 25th February 2020 to Members for their awareness and consideration.

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

Risk Management - Maximising Opportunities by taking Managed Risks

- 3.1 It has always been important for organisations to identify and manage their risks. This view has been reinforced by public sector legislation i.e. the Accounts and Audit Regulations 2015 where it states '*A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.*'

- 3.2 In addition, the Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2016) notes seven key principles to enable the development of good governance within public services, one of which states that good governance is *'managing risks and performance through robust internal control and strong public financial management.'*

Strategic Risk Register

- 3.3 The Risk Management Policy Statement and Strategy 2020-2023 requires the Council to assess risks at a strategic level through documentation and management of the Strategic Risk Register. The Strategic Risk Register is reviewed and updated quarterly by the Senior Management Team (SMT) and each strategic risk is owned by a member of SMT. The Council's Risk Management Policy Statement and Strategy 2020-2023 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 values, key actions and projects. The Strategy also includes the process for monitoring and reporting of strategic risks. The Risk Management Policy Statement and Strategy 2020–2023 was last updated and approved by Members on 20th January 2020 and 12th February 2020 (Cabinet approval following recommendation by Audit and Governance Committee).
- 3.4 Member receipt and endorsement of the Strategic Risk Register is completed 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, the mitigation measures put in place to manage them and the impact on decisions to be made by the Council.
- 3.5 This report is the second Strategic Risk Register update to Members within 2019/20; the first update being in July 2019.
- 3.6 This current version has been reviewed and revised, as appropriate, being presented to the SMT on 25th February 2020 for agreement, prior to presentation to Audit and Governance Committee Members (9th March 2020) and Cabinet (11th March 2020).
- 3.7 At the end of 2019/20, four of the risks have Current Scores of High. These relate to business continuity management (both operational and ICT), GDPR continued compliance and ongoing maintenance of the Property Investment Strategy. These continue to be closely monitored, but given their strategic importance to the Council, they remain high risk areas.

Risk No.	Risk Description	Original Score	Current Score	Current Score	Current Score	Current Score
			Qtr1	Qtr2	Qtr3	Qtr4
1.8	Failure to manage information in accordance with legislation.	16	8	8	8	8
1.9	Ability to respond effectively to unexpected events in support of our communities (e.g. weather/terror attack/phone system failure/other).	12	8	8	8	8
1.10	Council services loss for a significant period, due to technology failure (leading to other financial, reputational and information governance risks).	16	8	8	8	8
1.14	Negative financial implications due to inappropriate delivery and management of the Property Investment Strategy; and a risk of political priorities diluting commercial considerations around hedging.	16	8	8	8	8

3.8 At the first quarter of 2019/20, a strategic risk benchmarking exercise was undertaken against six neighbouring and similar local authorities and presented to SMT by the Senior Risk Management Advisor (SRMA).

The main aim of this analysis of the categories or types of risk recorded within the strategic risk registers was to evaluate whether the Council had considered and captured all key types of risks associated with delivering the Council's objectives and in line with similar local authorities.

From scrutiny of the information and discussion by the SMT, it was concluded that the strategic risks identified and assessed by Gloucester City Council were in line with expectation of the Council's areas of business and other similar authorities.

At the request of SMT, this benchmarking exercise will be undertaken annually.

3.9 During 2019/2020, two strategic risk areas were highlighted by the SRMA for SMT consideration:

- The impact to the Council's business with climate change; and
- The impact, on the Council, of the UK's exit from the European Union (EU), including future funding.

The decision of SMT was that both were emerging risk areas, to be continually monitored within year. Based on this position, the risks were not included on the strategic risk register in 2019/20.

- 3.10 There have been no risks, on the SRR, added or removed during 2019/20.
- 3.11 At the SMT meeting on 8th October 2019, to finalise the Quarter 2 SRR, a strategic risk awareness and discussion session was held, facilitated by the Council's insurers, Zurich Municipal, jointly with the SRMA, to strengthen understanding of strategic risk identification and scoring. This session complemented the benchmarking exercise in Quarter 1 and the consideration of emerging risks.

4.0 Social Value Considerations

- 4.1 There are no 'Social Value' considerations arising out of the recommendations in this report.

5.0 Environmental Implications

- 5.1 There are no 'Environmental' implications arising out of the recommendations in this report.

6.0 Alternative Options Considered

- 6.1 The alternative option is not to present the Strategic Risk Register to Members. This option is not compliant with the CIPFA: Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition) and does not support strategic risk awareness or informed prudent decision making.

7.0 Reasons for Recommendations

Risk Governance

- 7.1 Whilst it is managements responsibility to identify, own and manage risk, the Audit and Governance Committee's role (as per the Constitution) includes the function to 'monitor the adequacy and effectiveness of the Council's governance arrangements' including 'monitoring the arrangements for the identification, monitoring and control of strategic and operational risk within the Council'.

Audit and Governance Committee

- 7.2 The CIPFA: 'Audit Committees Practical Guidance for Local Authorities and Police (2018)' 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.

Cabinet

- 7.3 The Risk Management Policy Statement and Strategy 2020-2023 includes the following role and responsibility for Cabinet 'Endorse the content of the Strategic Risk Register and proposed risk mitigation plans, and monitor implementation'.
- 7.4 This report aims to meet requirements 7.1 to 7.3 and support Member delivery of their relevant roles and responsibilities.

8.0 Future Work and Conclusions

- 8.1 An embedded risk management approach helps to support the challenges that the Council may face, allowing it to react dynamically to changing external circumstances by enabling the Council to handle risk effectively and deliver successful outcomes.
- 8.2 The Strategic Risk Register will continue to be formally reviewed and updated quarterly by SMT, being present to the Audit and Governance Committee and Cabinet twice a year.

9.0 Financial Implications

- 9.1 There are no direct financial implications arising from the report recommendations. However, 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 of this report.)

10.0 Legal Implications

- 10.1 None specifically arising from the report recommendations.
- 10.2 It is fundamental that the Council has an embedded risk management framework (including a Risk Management Policy Statement and Strategy 2020-2023) which considers the identification, recording and management of risks to the Council in the delivery of its priorities and objectives.
- 10.3 The existence and application of an effective Risk Management Policy Statement and Strategy 2020-2023 (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 has been consulted in the preparation of this report.)

11.0 Risk & Opportunity Management Implications

11.1 Failure to deliver on effective risk management, particularly during periods of significant change, may have a detrimental effect on the achievement of the potential opportunities and adverse effects that challenge the assets, reputation and objectives of the Council, strategic decision making and the wellbeing of our stakeholders.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 A requirement of the Accounts and Audit Regulations 2015 is for the Council to *'ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.'*

Adoption of the Risk Management Policy Statement and Strategy 2020/2023 and the associated framework support and ensure compliance with the Council's equality policies.

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

13.0 Community Safety Implications

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

14.0 Staffing & Trade Union Implications

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

Background Documents:

- Accounts and Audit Regulations 2015;
- Delivering Good Governance in Local Government: Framework 2016 (CIPFA/SOLACE); and
- Risk Management Policy Statement and Strategy 2020-2023.