Gloucester City Council

Meeting:	Audit and Governance Committee Date: 19 November 2018
	Cabinet 5 December 2018
Subject:	**Strategic Risk Register 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 23rd October 2018**

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To present the Strategic Risk Register 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

Background

3.1 'Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives' – ALARM, the public risk management association.

3.2 The Accounts and Audit Regulations 2015 (part 2 paragraph 3) state 'a relevant local authority must ensure that it has a sound system of internal control which…includes effective arrangements for the management of risk'.

3.3 Risk management is a key part of the Council's corporate governance framework and internal control environment. It is one of the seven core principles within the Council's Code of Corporate Governance – 'managing risks and performance through robust internal control and strong public financial management'.

3.4   The Council's Risk Management Policy Statement and 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 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 2017 – 2020 was last updated and approved by Members in February 2017 (Cabinet approval following recommendation by Audit and Governance Committee).

3.5   The Risk Management Policy Statement and 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.

3.6   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.

3.7   This report is the first Strategic Risk Register update to Members within 2018/19.

Strategic Risk Register – position and review

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

-       Update of individual strategic risks by designated risk owners via the Pentana performance and risk management system (including risk scores, current control position, further mitigating actions required and their timing); and
-       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.

        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.

3.9   The Strategic Risk Register is documented in line with the Risk Management Policy Statement and 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.

3.10 The Strategic Risk Register was last reviewed and updated by SMT on 23rd October 2018. See **Appendix 1**.

Strategic Risk Register – changes since last Member review:

3.11 The Strategic Risk Register version last reviewed by Members was within the 2017/18 Civic Year as at March 2018. The main areas of Strategic Risk Register update between 2017/18 and 23rd October 2018 (**Appendix 1**) are summarised below:

- Strategic risk removed:
  o SRR 1.12 'Inability of the Council to progress with the ongoing organisational transformation begun by the Together Gloucester review' (removed as an individual strategic risk however Council progress is considered within retained strategic risk further mitigating actions e.g. 'Together Gloucester Phase 2 Work Packages').

- Strategic risks added:
  o Emerging strategic risks have been considered by SMT (including the progression and impact of Brexit), however no new strategic risks have been added to the strategic risk register to date within 2018/19.

3.12 The 23rd October 2018 Strategic Risk Register is the first version to have been produced for Member review from the Pentana performance and risk management system. Future risk registers submitted to Members will reflect the direction of travel of risk scores.

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 option is not compliant with the CIPFA: Audit Committees Practical Guidance for Local Authorities and Police (2018) and does not support strategic risk awareness or informed prudent decision making.

6.0   Reasons for Recommendations

6.1 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'.

6.2 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.

6.3   The Risk Management Policy Statement and Strategy includes the following role and responsibility for Cabinet 'Endorse the content of the Strategic Risk Register and proposed risk mitigation plans, and monitor implementation'.

6.4   This report aims to meet requirements 6.1 to 6.3 and support Member delivery of their relevant roles and responsibilities.

7.0   Future Work and Conclusions

7.1   The next Strategic Risk Register review by Members will be completed as part the Annual Risk Management Report 2018/19, which is due to be presented to Audit and Governance Committee in March 2019.

8.0   Financial Implications

8.1   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).

9.0   Legal Implications

9.1   None specifically arising from the report recommendations.

9.2   It is fundamental that the Council has an embedded risk management framework (including a Risk Management Policy Statement and Strategy) which considers the identification, recording and management of risks to the Council in the delivery of its priorities and objectives.

9.3   The existence and application of an effective Risk Management Policy Statement and 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

Community Safety

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

Sustainability

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

Staffing and Trade Union

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 (2018)
Council Constitution (current)
Risk Management Policy Statement and Strategy 2017- 20