

Meeting:	Audit and Governance Committee	Date:	16th November 2020
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
Contact Officer:	Theresa Mortimer, Head of Audit Risk Assurance		
	Email:	theresa.mortimer@gloucester.gov.uk	Tel: 01452 396430
Appendices:	1. Strategic Risk Register as at 6th October 2020		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present the Strategic Risk Register (SRR) as at 6th October 2020 to Members for their awareness and consideration.

2.0 Recommendations

- 2.1 Audit and Governance Committee 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 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 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 SRR. The SRR is owned by Senior Management Team (SMT) and strategic risk owners are at SMT level. The SRR is reviewed and updated quarterly by SMT.
- 3.5 Member receipt and endorsement of the SRR is completed twice a year by the Audit and Governance Committee and at year end by 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.
- 3.6 This report is the first SRR update to Members within 2020/21. It is based on the Council's SRR presented to and agreed by SMT on 6th October 2020.
- 3.7 As at 6th October 2020, four of the strategic risks had High current risk scores. These relate to business continuity management (both operational and ICT), management of information in accordance with legislation and ongoing maintenance of the Property Investment Strategy. The four risks continue to be closely monitored by SMT, but given their strategic importance to the Council, they remain high risk areas. The below table confirms the risk score direction of travel within 2020/21 for the four High current risk score strategic risks.

Risk No.	Risk Description	Original Risk Score	Current Risk Score	
			Quarter 1 2020/21	Quarter 2 2020/21
1.8	Failure to manage information in accordance with legislation.	16	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

Risk No.	Risk Description	Original Risk Score	Current Risk Score	Current Risk Score
			Quarter 1 2020/21	Quarter 2 2020/21
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
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

- 3.8 Within the first quarter of 2020/21, a strategic risk benchmarking exercise was undertaken by Audit Risk Assurance (ARA) against six neighbouring and similar local authorities. The outcomes were then presented to SMT for consideration. The main aim of the benchmarking analysis was to review the categories / types of risk recorded within the strategic risk registers and evaluate whether Gloucester City Council had considered and captured all relevant key risks associated with delivering the Council's objectives.

SMT scrutiny and consideration of the benchmarking information concluded that the strategic risks identified and assessed by Gloucester City Council were in line with expectations of the Council's areas of business and other similar authorities.

At the request of SMT, this benchmarking exercise will be undertaken annually, at the first quarter of the financial year.

- 3.9 During the first two quarters of 2020/21, two emerging strategic risk areas have been regularly discussed and considered by SMT:

- The impact to the Council's services and business continuity, in the event of a new or recurrent pandemic crisis, globally, nationally and/or locally; and
- The impact, on the Council, of the UK's exit from the European Union (EU), including possible future funding reductions and/or increased costs, particularly with a potential 'no deal' exit.

SMT discussion included consideration of the wider relevant strategic themes already considered within the SRR. The decision of SMT was to note the risk areas and provide confirmation that both would be continually monitored within year. Based on this position, the individual risks have not been included on the strategic risk register as at 6th October 2020.

- 3.10 No new strategic risks have been added to the SRR within 2020/21 up to 6th October 2020. Also, no strategic risks have been removed from the SRR during this period.

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

7.1 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.

7.2 This is supported by the Gloucester City Council Constitution, which confirms the role of the Audit and Governance Committee. This 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'.

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 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 presented to the Audit and Governance Committee twice a year and Cabinet at financial year-end.

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 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.