

Cherwell District Council

Accounts, Audit and Risk Committee

21 September 2016

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| <p>First Quarter Risk Review 2016-17 and revised Shared Risk & Opportunities Management Strategy</p> |
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Report of Director - Strategy and Commissioning

This report is public

Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership risks during the first quarter of 2016/17, to present the revised Risk & Opportunities Management Strategy and to report recommendations from the 2015/16 Risk Audit.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Review the full Strategic, Corporate and Partnership Risk Register for 2016/17 and identify any issues for further consideration or referral to Executive.
- 1.2 Note the risk exceptions highlighted and proposed actions.
- 1.3 Consider the impact of the EU referendum vote result and implications on existing or newly identified emerging risks.
- 1.5 Note recommendations and actions arising from the 2015/16 Risk Audit.
- 1.6 Agree the revised Risk and Opportunities Management Strategy for 2016/17.

2.0 Introduction

- 2.1 The Council details its approach to managing risk in its Risk and Opportunities Management Strategy and sets out the framework for managing risks of all types.
- 2.2 Risks are reviewed on a quarterly basis, undertaken by the Accounts, Audit and Risk Committee and Joint Management Team (JMT). This takes the form of reviewing the strategic risk register. Operational risks are reviewed at departmental level but can be escalated to the strategic risk register if required. Whilst a formal review is undertaken annually to refresh the strategic risk register and identify any new or emerging risks or opportunities, risks may still be added at any point during the year.
- 2.3 This is the first quarterly performance report provided on the Strategic Risk Register for 2016/17. Risk exceptions have been highlighted to provide a focus on those risks rated 16 or above (red risks requiring active management) and any changes to risk ratings that have occurred.

3.0 Report Details

- 3.1 **Underlying Principles:** the following principles continue to be used for the management of risk

Core Risks: these are the core set of strategic and high level risks that are recorded in the Council's Risk Register and are managed by JMT. They are monitored by the Accounts, Audit and Risk Committee and JMT on a quarterly basis. These risks are defined as strategic, corporate and partnership risks (see 'types of risk' below).

Residual/Net Risk: this is a measure of impact and likelihood after the proposed mitigating actions or controls have been taken into account. This is given a score using a 5x5 matrix which can then range from 1 to 25, with 25 being the highest level a risk can score. Changes in residual risk are highlighted in the risk monitoring reports to draw attention to any increase or decrease in risk and any new controls required.

Types of Risk: the Council distinguishes between types of risk and those defined as strategic, corporate or partnership are held on the Council's core strategic risk register whilst operational risks are managed at the service and directorate level. Our definitions are as follows:

- Strategic risks that are significant in size and duration and will impact on the reputation and performance of the Council as a whole and in particular on its ability to deliver its four strategic priorities.
- Corporate risks to corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services.
- Partnership risks to a partnership meeting its objectives or delivering agreed services/ projects.
- Operational risks specific to the delivery of individual services/service performance or specific projects.

3.2 **The Councils' Risk and Opportunities Management Strategy** was fully reviewed and redeveloped during 2011/12 to take into account the new joint management arrangements within Cherwell District Council and South Northamptonshire Council. This strategy ensures that the joint management team use a single approach to risk management. Risks are clearly identified as Cherwell, South Northants, or shared and managed to reflect this status.

3.3 This Strategy has been reviewed and updated for 2016/17 to better reflect the Councils' risk appetite, attitude to risk and changes to the information management and data collection system that underpins the process. The Strategy is attached as Appendix 4.

3.4 **Risk Register 2016/17:** As part of the business planning process, all strategic, corporate and partnerships were reviewed and updated by JMT to ensure its contents reflect current priorities and circumstances. The full shared register contains 43 risks; 32 are shared or CDC specific risks. The full (CDC specific and shared risks) register will be provided to the Committee on an annual basis. The register (including legend) and heat maps are attached as Appendix 1 and 2 respectively.

| Type | CDC | Shared | SNC | Total |
|-------------------|-----------|-----------|-----------|-----------|
| Strategic Risks | 9 | 7 | 5 | 21 |
| Corporate Risks | 2 | 10 | 3 | 15 |
| Partnership Risks | 3 | 1 | 3 | 7 |
| Totals | 14 | 18 | 11 | 43 |

3.5 **First Quarter Risk Exceptions Report - Appendix 3**
 The full risk register has been reviewed by the risk owners and members of JMT and an exception report created; this report focusses on those risks with a residual score of 16 or higher that require active management, or a change in risk scores.

3.6 Red risks requiring active management: One risk has been identified with a red rating; S15 – Horton Hospital. The Oxfordshire Transformation Programme has prompted a review of health and social care service delivery which in turn has resulted in a number of emerging clinical service models. Some of these mean changes to current Horton services, services closer to home, more patients at the Horton and the downgrading of some services such as maternity delivered from the Horton. This has prompted a review of the risk and an upgrading from an Amber rating (contingency planning).

An annual report is presented to Executive and there is oversight provided by the Local Strategic Partnership

3.7 Change in risk scores: Four risks have been downgraded this quarter:-

- S11 CDC Local Plan (Impact reduced from 4 to 3)
- P04 South Midlands Local Enterprise Partnership (Impact reduced from 4 to 3)
- P05 Oxfordshire Local Enterprise Partnership (Impact reduced from 4 to 3)
- C05 Managing Data and information (Impact reduced from 3 to 2)



3.8 Risk review in light of the EU referendum result: It is recommended that all services consider the impact of the EU referendum result and update service risk registers in light of any emerging risks identified. There is naturally a lot of uncertainty in the situation – by capturing potential risks the councils can have plans for potential outcomes prepared in advance.

3.9 Operational risks: These are managed and monitored locally at directorate and service level and are identified through the development of service plans and project risk logs. An operational risk review aligned to the service planning process takes place annually; a six month spot check is scheduled for December 2016.

3.10 Issues arising from operational risks may be escalated via the performance and risk reports to JMT. In the event of this occurring they would also be reported to the Accounts Audit and Risk Committee in their quarterly reports.

3.11 Risk Training for all staff with responsibility for Strategic, Operational and/or Project Risks was undertaken by Price Waterhouse Cooper (PWC) in April 2016. In addition, a Risk Computer Based Training (CBT) module is being developed to provide on-going risk training for new employees as well as refresher training and will be linked to the Induction process.

3.12 The **2015/16 Risk Audit** report undertaken by PWC has been finalised and classified as “Medium” (7 Points) which is in line with the previous year.

| Report classification | Trend | Total number of findings | | | | |
|--|---|--------------------------|------|--------|-----|----------|
| | | Critical | High | Medium | Low | Advisory |
| Medium (7 points)  | There has been no overall change in performance from the previous review  | | | | | |
| | | 0 | 0 | 1 | 3 | 2 |
| | | 0 | 0 | 0 | 1 | 1 |
| | | 0 | 0 | 1 | 4 | 3 |

The Audit raised four ‘control design’ and one ‘operating effectiveness’ findings. Details of the issues raised, together with resolution are detailed below:-

| Issue Raised | Comments and Resolution |
|---|--|
| Control Design: Operational Risk Register Access - no audit trail when a risk is removed or when a change is made to the risk status (medium) | By end of 2016 all operational risks (except project based) will be recorded, reviewed and monitored within Performance Matters software. This software provides a full and comprehensive Audit trail. |
| Operating Effectiveness: Documentation of the Risk Register – does not clearly differentiate between risk, control and action (low). | Risk guidance notes have been updated, issued to all risk owners and are published on the intranet. In addition, as risks are now updated via Performance Matters software, an on-line guide is available. |
| Control Design: Policy/Procedure Notes (in need of updating) and Risk Management Training awareness (low) | |
| Control Design: Risk Appetite not specific (low) | The 2016/17 Risk & Opportunities Management Strategy has been revised to address this issue. |
| Control Design: Six Monthly spot check (low) | The monitoring of operational risks via Performance Matters will enable spot checks and regular reviews of operational risks |

4.0 Conclusion and Reasons for Recommendations

4.1 The following options have been identified. The approach in the recommendations is believed to be the best way forward.

Option 1 To support the current approach and having considered the Strategic, Corporate and Partnership risks, report any concerns arising to the Executive.

Option 2 To reject the current approach and proposals and report any concerns arising to the Executive.

5.0 Consultation

- 5.1 Both CDC Accounts, Audit and Risk Committee and SNC Audit Committee have been consulted on the development of the Risk Strategy

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To reject the current approach and proposals and recommend an alternative approach to risk management. This option is not recommended as it departs from the Council's stated approach to risk management as set out in its Risk and Opportunities Management Strategy.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no specific financial implications arising from this report.

Comments checked by Paul Sutton, Chief Finance Officer

Tel: 0300 0030 106 E-mail: Paul.Sutton@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 There are no specific legal implications arising from this report,

Comments checked by Kevin Lane, Head of Law and Governance,

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8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All strategic priorities

Lead Councillor

Councillor Barry Wood
Leader of the Council

Document Information

| Appendix No | Title |
|--------------------------|--|
| 1 | Quarter 1 2016/17 Risk Register (including Legend) |
| 2 | Quarter 1 2016/17 Heat Map |
| 3 | Quarter 1 Exceptions Report |
| 4 | Shared Risk & Opportunities Management Strategy 2016/17 |
| Background Papers | |
| None | |
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