

Accounts, Audit and Risk Committee

Risk Management - Third Quarter Review

19 March 2012

Report of Corporate Performance Manager

PURPOSE OF REPORT

To update the Committee on the management of Strategic, Corporate and Partnership Risks during the third quarter of 2011/12 and highlight any emerging issues for consideration.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) Review the quarter 3 Strategic, Corporate and Partnership Risk Register. (Appendices 1 and 2).

Executive Summary

- 1.1 In advance of 2010/11 the Council undertook a fundamental review of its risks and the reporting requirements. This provided the opportunity to consider the underlying principles of the overall approach to managing risk. The review also resulted in a streamlined set of core strategic, corporate and partnership risks and the requirement that operational risks are monitored at the service level. These core risks are now monitored on a monthly basis.
- 1.2 As part of this review the Council established a high level strategic risk register which integrated performance and risk reporting using Performance Plus, the Council's corporate performance management system. Risks are reviewed monthly and monitored by the Corporate Management Team. There is effective oversight by members through the Executive and the Accounts Audit and Risk Committee.
- 1.3 Each year there is an audit of risk and this has been completed for 2011. Matters arising will be addressed as part of the work to implement the new risk strategy for 2012/13.
- 1.4 In summary this report sets out the following:
 - The principles by which the Council manages risk (paragraph 1.5)
 - The quarter 3 risk report review (paragraph 1.6 and appendix 1).

- The risk register for 2011/12 (paragraph 1.7 and appendix 2).
- The timetable for reporting risks to the Executive and the Accounts Audit and Risk Committee 2011/2012 (paragraph 1.8).
- An update on operational risk management (paragraphs 1.9 - 1.10)

Proposals

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

Core Risks These are the core set of risks that are recorded in the Council's Risk Register and are monitored and reported through the corporate Performance Management Framework. They are monitored by JMT on a monthly basis and by the Executive and Account, Audit and Risk Committee on a quarterly basis. These risks are defined as strategic, corporate and partnership risks (see 'types of risk' below).

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 net 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 risk register. Operational risks are managed at the service and directorate level and not corporately through the performance management framework. 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.

- 1.6 **Quarter 3 Strategic, Corporate and Partnerships Risk Review**

Strategic, corporate and partnership risks are reviewed on a monthly basis and reported via the performance and risk management framework to the Executive on a quarterly basis. The contents of the risk register as a whole

are reviewed at least annually to ensure its contents reflect current priorities and circumstances. In addition, the lead Member for performance and organisational change is briefed with regards to risk and performance on a monthly basis.

The table below highlights where risks have remained constant, increased or decreased between quarters 2 and 3. Full details are attached at Appendix 1.

Changes	Risk name	Comments
Risk rating remained constant	STRAT01 Deprivation and Equalities	<ul style="list-style-type: none"> New programme theme leads in place, workshop held to induct new theme leads.
	STRAT02 Eco Town	<ul style="list-style-type: none"> Good progress on scheme.
	STRAT03 Local Development Framework	<ul style="list-style-type: none"> Work continues on progressing the LDF.
	STRAT04 Economic and Social Changes	<ul style="list-style-type: none"> New economic development strategy completed, remaining concerns regarding impact of funding cuts.
	STRAT05 Horton Hospital	<ul style="list-style-type: none"> Risk reviewed, see comments in appendix 1.
	STRAT08 Financial Resources	<ul style="list-style-type: none"> MTFS under review work is well underway on the 2012/13 budget
	STRAT09 Shared Services	<ul style="list-style-type: none"> Risk reviewed and controls are in place.
	STRAT10 Managing new policy and legislative change	<ul style="list-style-type: none"> JMT meet fortnightly keeping policy change under review,
	CORP01 Health and Safety	<ul style="list-style-type: none"> Risk reviewed no matters arising, impact of shared services has been mitigated.
	CORP02 Capital Investments	<ul style="list-style-type: none"> MTFS agreed at September Executive.
	CORP04 Equalities Legislation	<ul style="list-style-type: none"> Risk reviewed no changes in quarter 3.
	CORP06 Civil Emergency	<ul style="list-style-type: none"> Risk reviewed no matters arising.
	CORP07 Managing Data and Information	<ul style="list-style-type: none"> Risk reviewed no matters arising.
	CORP08 Corporate Fraud	<ul style="list-style-type: none"> Risk reviewed no matters arising.
	PART03 Community Safety Partnership	<ul style="list-style-type: none"> Risk reviewed no matters arising.
	PART04 Local Enterprise Partnerships (LEPs)	<ul style="list-style-type: none"> Risk reviewed no matters arising.
	PART06 Health and Wellbeing Partnership	<ul style="list-style-type: none"> New Oxfordshire H&WB Board and

		partnership proposals under consideration. Specific District Council roles proposed under an Oxfordshire Health Improvement Board
Risk rating improved	STRAT06 The Natural Environment	<ul style="list-style-type: none"> Environment strategy on track, actions monitored through PMF, carbon reduction on target.
	CORP03 ICT Systems	<ul style="list-style-type: none"> Business Continuity Workshop scheduled for March 2012.
	PART02 Local Strategic Partnership	<ul style="list-style-type: none"> Additional funding being allocated and new membership in place.
	PART05 Oxfordshire Waste Partnership	<ul style="list-style-type: none"> Progress on financial basis of partnership via discussions with directors.
Risk added to register at end of second quarter	CORP09 Shared Information Services with SNC	<ul style="list-style-type: none"> Risk reviewed net score remains 9 (medium risk) detailed project risk log in place reviewed weekly by ICT team
	CORP10 (shared risk) Insource of SNC ICT	<ul style="list-style-type: none"> See comment above

1.7 Risk Register 2011/12

In October 2011 the new Cherwell and South Northamptonshire Councils' Joint Management Team was implemented. The existing strategic, corporate and partnership risks on the Council's register have been allocated to the new team and a session on performance and risk management was held as part of the induction process. This has been supported during the last quarter through a JMT risk workshop.

Appendix 2 provides an overview of the latest risk register for 2011/12. This register provides the basis for on going risk management during 2011/12.

1.8 On-going Reporting Arrangements

For 2011/12 the reporting of the Strategic, Corporate and Partnerships Risk Register will continue to be integrated into the quarterly performance report to the Executive, as set out below:

- Quarter 1- 05 September 2011 (completed)
- Quarter 2- 06 December 2011(completed)
- Quarter 3- 05 March 2012 (completed)
- 2011/12 Year end review June/July 2012

It is also proposed that the performance of all the risks on the Strategic/Corporate/Partnerships Risk Register is reported to the Accounts, Audit and Risk Committee on a quarterly basis as outlined below:

- Quarter 1- 21 September 2011(completed)
- Quarter 2- 11 January 2012(completed)
- Quarter 3- 19 March 2012 (completed)
- Quarter 4 (and year end review) – June/July 2012

Operational Risks

- 1.9 Operational risks are not included in the strategic, corporate and partnerships risk register. These risks are managed and monitored locally at the directorate and service level. However, managers are able to use the same performance and risk monitoring system as they do for strategic risks. As with service performance indicators, any issues arising from these operational risks may be escalated via the performance and risk reports to the Corporate Management Team. In the event of this occurring they would also be reported to the Executive and Accounts, Audit and Risk Committee in their quarterly reports. Operational risks are reviewed on a quarterly basis.
- 1.10 During 2011 three operational risk training sessions have been held to support staff to identify and add operational risks to the performance plus system. In addition a series of one to one meetings have been undertaken to support the assessment and monitoring of operational risk. Risks have also been identified through the development of service plans for 2011/12. Currently there are 48 operational risks on departmental registers, including operational partnerships.

Development and emerging issues

- 1.11 The implementation of a Joint Management Team (JMT) across Cherwell and South Northamptonshire has meant that a joint approach to risk management is required. This strategy has been developed and after being reviewed in draft by this committee in January 2012 has been available in draft for comment. The consultation period is now closed and the final draft is a separate item on this agenda to be agreed.
- 1.12 This strategy takes the strengths of both councils' existing policies and ensure that there is a single risk assessment and management process. It should be noted that each council remains a sovereign body and as such not all risks will be shared. Where shared risks do exist they will be clearly identified. As such the councils will have a common approach to risk management, a single risk management strategy but separate risk registers which include shared risk where they exist.
- 1.13 As part of the business planning process for 2012/13 strategic, corporate and partnerships have been reviewed by JMT for the coming year. Operational risks for 2012/13 will be identified in departmental service plans. An update on these registers will be given at the next committee meeting.

Conclusion

- 1.14 Since 1 April 2010 a number of significant changes to the way risk is managed at the Council have been introduced. These changes were built on an already strong performance that has been recognised by the Audit Commission. By integrating risk and performance management, we have a clearer understanding of the risks which may prevent the Council achieving its strategic objectives and in improving the accountability to Members we have taken the management of risk to a higher stage of development. The new risk strategy for 2012/13 (reviewed by the committee at their meeting in January 2012) will serve to strengthen this approach.

During the third quarter of 2011/12 all risks on the strategic, corporate and partnership risk register have been monitored and reviewed. No risks have worsened in this quarter.

Two new risks associated with the shared ICT services project were added to the register at the end of the last quarter and they have subsequently been reviewed on a monthly basis.

Background Information

- 2.1 The Council has now implemented a single Performance and Risk Management Framework which integrates the reporting processes for performance and risk and embeds the Risk Strategy adopted by this Committee at its meeting on 13 December 2010. An updated Risk Strategy for the committee to adopt is a separate item on this agenda.
- 2.2 From 1 April 2010 the Council has used Performance Plus to monitor the Council's high level risks (Strategic, Corporate and Partnership). This move allows an integrated approach to managing risk and organisational performance and rationalises the administration involved. During the first quarter of 2011/12 this approach has been embedded with support given to staff to ensure risks are recorded and reviewed. During the third quarter this work was revisited to ensure all strategic risks were owned and understood by the new joint management team.
- 2.3 During 2011/12 Performance Plus has been available for managers to use to store their operational risks. Monitoring of operational risk remains a departmental responsibility but where a risk needs to be escalated to the strategic risk register CMT will have the opportunity to do so as part of their monthly review of performance and risk.
- 2.4 As part of its corporate management role the Joint Management Team (EMT – comprised of service heads) reviewed the 2010/11 at their meeting on 8 February 2011. The changes have been reflected in the risk register for 2011/12. On 22 February 2012 this process was repeated in order to prepare the 2012/13 risk register.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 All risks have been reviewed in quarter three. In addition the Joint Management Team has undertaken a risk review and agreed a joint approach to risk management for the future that will further embed the good practice in place at

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

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

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

Implications

Financial: The Council has identified the impact of the current economic climate and financial pressures on the Council's ability to deliver its corporate priorities as a Strategic Risk. There is also a Corporate Risk arising from the Council's ability to fund its activities because of a reduction in investment income or income from other capital assets such as buildings.

Comments checked by Karen Curtin, Head of Finance and procurement, 01295 221551

Legal: There are no direct legal implications arising from this report but the Council has to ensure it is aware of any risks to its delivering what is required by law.

Comments checked by Nigel Bell, Team Leader – Planning & Litigation, 01295 221687

Risk Management: The lead officer responsible for risk reporting is the author of this report.

Comments checked by Ros Holloway, Performance and Risk Officer, 01295 2211751

Wards Affected

All

Corporate Plan Themes

All

Document Information

Appendix No	Title
Appendix 1	Quarter 3 Risk Report
Appendix 2	Risk Register 2011/12
Background Papers	
1. Risk Management Strategy	
2. Executive Report 5 March 2012 Quarter 3 Performance and Risk Management Framework	

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