

# Accounts, Audit and Risk Committee

## Risk Management First Quarter Review of Risk

18 September 2013

### Report of the Corporate Performance Manager

#### PURPOSE OF REPORT

To update the Committee on the management of Strategic, Corporate and Partnership Risks during the first quarter of 2013/14 and highlight any emerging issues for consideration.

This report is public
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#### Recommendations

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The Accounts, Audit and Risk Committee is recommended to:

- (1) To review the quarter 1 Strategic, Corporate and Partnership Risk Register

#### Executive Summary

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- 1.1 The Council sets out its approach to managing risk in its Risk and Opportunities Management Strategy. This document is reviewed and updated on an annual basis and sets out the framework for managing risks of all types.
- 1.2 Risks are reviewed on a quarterly basis, undertaken by the Accounts, Audit and Risk Committee and JMT. This takes the form of reviewing the strategic risk register. Operational risks are reviewed at the departmental level but can be escalated to the strategic risk register if required. Risks may be identified and added to the strategic risk register at any point during the year. However, a formal review is undertaken in the final quarter of the year to refresh the strategic risk register and identify any new or emerging risks or opportunities.
- 1.3 In summary this report sets out the following:
  - The principles by which the Council manages risk
  - The quarter 1 risk review (appendix 1).
  - A summary of issues and progress arising from the 2012/13 Risk Audit

## Proposals

### 1.4 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).

**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 strategic risk register. 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.

### 1.5 **Quarter 1 Strategic, Corporate and Partnerships Risk Review**

In February 2012 a new Cherwell and South Northamptonshire Councils' Joint Risk Management Strategy was adopted. All strategic, partnership and corporate risks on the Council's register have been allocated to a member of JMT and the first annual review of the strategy took place in February 2013.

Appendix 1 provides an overview of the latest risk register for 2013/14. This register will provide the basis for on going risk management during 2013/14. During the year any emerging risks will be added to the register. Where appropriate risks will be closed and these will also be reported to the committee.

Strategic, corporate and partnership risks are reviewed on a quarterly basis and reported via the risk management framework. The contents of the risk register as a whole are reviewed at least annually to ensure its contents reflect

current priorities and circumstances.

JMT have reviewed the risk register at year end and the register attached as appendix 1 provides a summary of risks believed significant enough in scope, impact and effect on strategic priorities to be monitored at the most senior level.

A risk audit for 2012/13 was completed and a number of issues for development were. One of these was to improve risk reporting by using heat maps. These are diagrams which provide a quick, visual and more accessible way of presenting risk profile. The first heat maps have been included as appendix 2. They highlight the Council's risk profile in terms of inherent risk and residual risk at the end of the first quarter.

### **Risk Strategy 2013/14**

- 1.5 The Council's Risk and Opportunities Strategy was fully reviewed and redeveloped during 2011/12 to taken into account the new joint management arrangements with South Northamptonshire Council. The strategy has now been in operation for over a year and has ensured that the Joint Management Team uses a single approach to risk management. Risks are clearly identified as Cherwell, South Northants or common and managed to reflect this status. Programme and project risks also use this approach.

### **Operational Risks**

- 1.6 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. As with service performance indicators, any issues arising from these operational risks may be escalated via the risk reports to the Joint 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.

### **Development and emerging issues resulting from the 2012/13 risk audit**

- 1.7 The audit of risk management for 2012/13 has taken place. Findings have been positive with minor issues for improvement highlighted. A progress update against these issues is outlined below:
  - i. Ensuring risk reports identify how risks relate to corporate priorities (currently this is part of the risk assessment but not reflected in the reports).
    - Completed
  - ii. Utilising visual aids to present risks. Currently we report using tabular presentation.
    - Heat maps tested as part of this report
  - iii. Keeping records of late risk reviews and poor practice to offer additional support to risk owners.
    - Implemented. Only 1 late risk this quarter.
  - iv. Support operational risk management and institute a risk working

group to support.

→ Some progress but still needs developing.

- v. Tightening up on risk commentary including when mitigating actions are planned or have been implemented.

→ New reporting format

- vi. Ensuring operational risks are reviewed and supporting operational risk registers with templates.

→ See point iv above

## **Conclusion**

- 1.8 During the first quarter of 2013/14 all risks on the strategic, corporate and partnership risk register have been monitored and reviewed. Recommendations made in the last risk audit have been progressed.

## **Background Information**

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- 2.1 The Council has implemented a shared approach to Risk Management which covers Cherwell and South Northamptonshire Councils. This ensures that the strategic partnership that exists between the two authorities is managed using the same risk methodology.
- 2.2 JMT have reviewed the risk register on a quarterly basis throughout 2012/13 and have drafted a register for 2013/14. Operational risks are held at the service level.

## **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 All risks have been reviewed in quarter 1 and progress has been made in delivering the recommendations as set out by the audit report.

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**

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**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 Nicola Jackson, Finance Manager, 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 and Litigation, 01295 221687

**Risk Management:**

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

Comments checked by Claire Taylor, Performance Manager, 0300 0030113

**Wards Affected**

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All

**Corporate Plan Themes**

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All

**Document Information**

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<b>Appendix No</b>	<b>Title</b>
Appendix 1	Risk Register 2013/14 – quarter 1 update
Appendix 2	Risk heat map
<b>Background Papers</b>	
Risk Audit 2012/13	
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