

Cherwell District Council

Accounts, Audit and Risk Committee

2 December 2015

<p>Second Quarter Risk Review 2015-16 and Update on Development of Risk & Opportunities Management Strategy</p>
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Report of Head of Transformation

This report is public

Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership risks during the second quarter of 2015/16 and to report the progress made on the 2015/16 Risk & Opportunities Management Strategy review, Risk Training programme and 2015 Risk Audit.

1.0 Recommendations

The meeting is recommended to:

- 1.1 review the quarter 2 Strategic, Corporate and Partnership Risk Register and identify any issues for further consideration or referral to Executive.
- 1.2 note that there has been a decrease in scores to one shared risk.
- 1.3 note the progress made on the 2015/16 Risk and Opportunities Management Strategy review, the Risk Training Programme and the 2015 Risk Audit.

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 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. A formal review is undertaken annually to refresh the strategic risk register and identify any new or emerging risks or opportunities.

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, shared, or 3 Way (to reflect current shared working with Stratford District Council) and managed to reflect this status.

- 3.3 This Strategy is currently being updated to take into account feedback from the Council's Auditors, Price Waterhouse Cooper, following the recent risk audit (3.10 refers).
- 3.4 **Risk Register 2015/16:** As part of the business planning process, all strategic, corporate and partnerships were reviewed and updated by JMT for 2015/16 to ensure its contents reflect current priorities and circumstances. The register contains 14 risks specific to CDC and 18 risks which are common to both.
- 3.5 **Second Quarter Risk Review** and associated heat maps are attached as appendix 1 and 2 respectively. The register has been reviewed by the risk owners and members of JMT and each risk has commentary for quarter two included.
- 3.6 The following table summarises changes to Cherwell District Council's risks and also risks common to both Authorities during quarter two:-

Risk Type/Ref	Risk Name	Comments/Actions
Corporate C12	Health & Safety (Common)	<p>↓ Decrease in Residual probability score (3 to 2) Both Councils are now certified to international standard BS OHSAS 18001 Occupational Health and Safety Standard, and ISO 14001 Environmental Standard. This demonstrates a commitment to the development and improvement across both organisations, with on-going external audits to ensure that the levels attained regarding each standard continues to be maintained.</p>

- 3.7 **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 and are identified through the development of service plans and project risk logs. An operational risk review is currently underway and will be linked to the Service Planning process that commences in January 2016. A full operational risk register will be reported to the Committee with the quarter 4 / year-end report.
- 3.8 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.
- 3.9 **Risk Training** for all staff with responsibility for Strategic, Operational and/or Project Risks is being sourced from Price Waterhouse Cooper (PWC). It is anticipated this training will take place early 2016 to align with the business and service planning process thereby ensuring effective identification of all risks.

3.10 **2014/15 Risk Audit** report undertaken by PWC has been finalised and classified as “Medium” (9 Points) which is in line with the previous year.

Report classification	Trend	Total number of findings				
Medium 	 (9 points) Number of findings and ratings are in line with prior year.	Critical	High	Medium	Low	Advisory
		0	0	2	2	0
		0	0	0	1	0
		0	0	2	3	0

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

Issue Raised	Resolution
Control Design: Following risk (re)assignment to new owner, training or briefing is not always identified	Whenever a new risk is identified, or a risk is reassigned to a new owner, risk training or briefing (whichever is most appropriate) will be provided and recorded.
Control Design: Lack of a Risk Management Training Programme	A “Managing Risk” training programme is being prepared by PWC and will commence early February 2016. Risk training will be offered biennially with an in-house refresher offered annually and as/when new risk owners are identified.
Operating Effectiveness: Timeliness of risk updates	A reminder to formally update the risk register quarterly as well as the risk escalation process will be undertaken as part of the “Managing Risk” training programme.
Control Design: Risk appetite statement is not as specific as it could be in order to provide enough detail of the councils’ attitudes towards risk.	The risk appetite statement will be reviewed to ensure that the risk appetite is explicit and reflective of the agreed approach and appetite of both councils.
Control Design: Operational risk review (6 monthly spot checks) not undertaken	Operational Risk review is currently underway. Once operational risk register has been completed risks will be spot checked 6-monthly.

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, Head of Finance and Procurement

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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
Appendix 1	Quarter 2 2015/16 Risk Register
Appendix 2	Quarter 2 2015/16 Heat Map
Background Papers	
None	
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