

FOR PUBLICATION

RISK MANAGEMENT STRATEGY & ANNUAL REVIEW

MEETING: 1. COUNCIL
 2. STANDARDS & AUDIT COMMITTEE

DATE: 1. 27TH JULY 2016
 2. 12TH JULY 2016

CABINET
PORTFOLIO: CABINET MEMBER FOR GOVERNANCE

REPORT BY: CHIEF FINANCE OFFICER

FOR PUBLICATION

BACKGROUND PAPERS FOR PUBLIC REPORTS: None

1.0 PURPOSE OF REPORT

1.1 To provide a report on the Risk Management developments during 2015/16 and to update the Risk Management Policy, Strategy and Corporate Risk Register for 2016/17.

2.0 RECOMMENDATIONS

2.1 To note the progress made on developing the Council's approach to risk management during 2015/16.

2.2 To recommend to the Full Council the approval of the Risk Management Policy, Strategy and Corporate Risk Register for 2016/17.

3.0 BACKGROUND

- 3.1 The Risk Management Strategy requires an annual review to be reported to the Council at the end of the financial year and the Corporate Risk Register at the start of the year.
- 3.2 The Standards and Audit Committee is required to consider the effectiveness of the Council's risk management arrangements.

4.0 ANNUAL REVIEW 2015/16

- 4.1 The main focus of risk management activities during 2015/16 has been on implementing changes to the Council's risk management arrangements as recommended by an external risk management adviser in the previous year. The changes included:
- Revised Terms of Reference and membership of the Corporate Risk Management Group (RMG).
 - An updated Risk Management Strategy.
 - The development of six service risk registers to feed into a revised Corporate Risk Register.
 - A risk reporting dashboard (**Appendix A**).
- 4.2 The key developments on the risks included in the Corporate Risks Register (**Appendix B**) at the start of the financial year and new risks added during the year are summarised in the 'dashboard' report below:

Risk	Risk Rating (maximum score = 25) Direction of travel (DOT)			Comments
	Start of year	Latest (DOT)	Latest Target	
At start of year:				
CR1 – Budget Risk	20 Red	15 Red ↑	12 Amber	The outturn for 2015/16 produced a surplus of £448k. The budget for 2016/17 assumes savings of £1.3m will be delivered in order to produce a balanced budget. The financial pressures continue to increase in future years creating increasing deficits/savings targets. The current budget risk rating has, therefore, been maintained as a high scoring 'red' risk. This is due mainly to external factors such as the planned reduction in Government funding, including changes to the New Homes Bonus grant system, and the continuing threats to business rate income due to back-dated appeals, new claims for Charitable Relief and the revaluation due in 2017. Delivering budget savings to keep pace with the funding reductions will become increasingly difficult.
CR2 - Transformation	15 Red	12 Amber ↑	8 Amber	GPGS approved, revised governance in place including ensuring benefits are identified and shared with finance to have removed from budget at source – Needs embedding to ensure effectiveness. BT / GPGS focusing on cash releasing & income generating projects with specific focus on GPGS Programme. SLT/ CMT & Cabinet have been reviewing potential projects at away days. PMO is being developed to help allow single view of all work and aid the prioritisation of work and resources. TOM being developed. Developing a communications plan for GPGS and working

Risk	Risk Rating (maximum score = 25) Direction of travel (DOT)			Comments
	Start of year	Latest (DOT)	Latest Target	
				with Workforce Strategy Group to encourage staff engagement with change.
CR3 - Workforce	9 Amber	9 Amber ↑	6 Amber	
CR4 - ICT	20 Red	9 Amber ↔	9 Amber	Awaiting feedback from PSN submission so ratings left unaltered.
CR5 – Emergency Planning	9 Amber	8 Amber ↑	8 Amber	Emergency plans have been produced and maintained taking account of new and emerging risks. Work is on-going to analyse common consequences to assess the current capability against the capability requirement. All Emergency and Business Continuity Plans are now available to view on the secure browser ResilienceDirect. Exercises have taken place to validate plans.
CR6 – Health & Safety	12 Amber	9 Amber ↑	6 Amber	Policies and procedures are in place and are regularly reviewed. Developments in progress around asbestos management. H&S Audits in services will commence in July 2016.
CR7 – Welfare Reform				Changes introduced in Apr 2013 now embedded and working satisfactorily. This risk has, therefore, been removed from the Corporate Risk Register.
CR8a–PSN compliance	8 Amber	8 Amber ↔	8 Amber	Awaiting feedback from PSN submission so ratings left unaltered.
CR8b – data security	16 Red	16 Red ↔	12 Amber	Significant improvement anticipated in 16/17 once the Info Assurance Manager and Info Rights Officer are in post.
CR9 – Procurement/ Contract Management	12 Amber	12 Amber	8 Amber	New procurement contract signed with the NHS (tbc).

Risk	Risk Rating (maximum score = 25) Direction of travel (DOT)			Comments
	Start of year	Latest (DOT)	Latest Target	
		↑		Training delivered during Feb / March 2016. Regular Procurement Clinics have been scheduled. Contractor management training (specific in-house) has been delivered to key officers and remains on offer to any other staff who require it going forward.
CR10 – Elections – local & national				Elections in May 15 resulted in: No change of control locally; & Conservatives nationally. This risk has now been removed from the register.
CR11 – Key Partnerships	12 Amber	12 Amber ↔	9 Amber	
Added in Year:				
CR12 – provision of Social Housing	n/a	15 Red ↑	12 Amber	Added November 2015. Pressure on the HRA Business Plan due to Government's rent reduction and other policies.
CR13 - Safeguarding	n/a	12 Amber ↑	8 Amber	Extensive progress has been made on the action plan to reduce the risk likelihood including: <ul style="list-style-type: none"> • Updated policy and procedures • Defined roles and responsibilities for lead officers • Central safeguarding group established • Terms and conditions of hire review • Hate and intolerance framework established Further progress is required on the training programme during the next six months and we will be completing an audit in early 2017. By this point we expect to have met the risk target level.
CR14 – Combined	n/a	20	6	Added November 2015.

Risk	Risk Rating (maximum score = 25) Direction of travel (DOT)			Comments
	Start of year	Latest (DOT)	Latest Target	
Authorities		Red ↔	Amber	Good progress in 15/16 but now subject to public consultation, Secretary of State sign-off and political changes at the national level.
CR15 – Non-Housing Property Repairs Programme	n/a	12 Amber ↑	4 Green	Following a critical Internal Audit report this issue has been added to the CRR and is also included as a key issue within the Annual Governance Statement. The issue relates to not having an up-to-date planned maintenance programme in place to ensure that properties remain fit for purpose and to enable adequate sums to be set aside each year into the Property Repairs Fund.
CR16 – Leaving the European Union	n/a	12 Amber ↔	9 Amber	Added July 2016. Uncertainty over impact on economy and regulatory frameworks. Issues/challenges should become clearer by end of 2016.

2.3 Sitting below the Corporate Risk Register there are six service level risk registers (SRR). The SRR's contain risks that are linked to the corporate risks but which are managed at the service level and other, operational level, risks. The SRR were reviewed at least once by the Corporate Risk Management Group during the year twice a year to (a) ensure a consistency of approach and (b) check that links with the Corporate Risk Register were being maintained. The SRR's will be revised during 2016 to align with the new Corporate Management structure. Service Management Teams will then be required to monitor them on a regular basis.

5.0 RISK MANAGEMENT POLICY AND STRATEGY

5.1 The Policy and Strategy documents are designed to clarify the corporate and operational elements and to further embed Risk Management within the organisation. The documents for 2016/17 are included in **Appendix C**. Appendix A and D within the Strategy document will have to be updated once the new Corporate Management structure is in place.

6.0 CORPORATE RISK REGISTER (CRR)

- 6.1 The management of corporate risks is an essential component of good governance and helps to ensure the delivery of services. It is therefore important that the CRR is reviewed regularly to take account of any changes in risk levels and to identify any new risks.
- 6.2 The format and content of the CRR was developed for 2015/16 through a consultation process involving officers and members and led by a Risk Management Adviser from the Council's insurance provider. Many of the corporate risks will be a permanent feature within the CRR whilst others, which relate to one-off type projects, will appear only for a limited period. The CRR for 2016/17 is shown in **Appendix B**, the key changes from 2015/16 Register are described in paragraph 4.2 above, they include:

Deletions:

- CR7 - Implementing Welfare Reform Changes such as the Spare Room Subsidy and the Localised Council Tax Support scheme.
- CR10 - Political - National and Local Elections.

Additions:

- CR13 - Safeguarding
- CR14 - Combined Authorities
- CR15 - Non-Housing Property Repairs
- CR16 – Leaving European Union

Amendments:

- CR8 – Information Governance has been split into two elements, CR8a PSN compliance and CR8b Data Governance.

- 6.3 The challenge for 2016/17 will be to implement the further actions highlighted or any other actions subsequently developed to bring the risk ratings to the 'target' level which reflects the Council's risk appetite i.e. the level of risk it is prepared to accept.

7.0 RISKS AND UNCERTAINTIES

7.1 The failure to have effective risk management arrangements in place which will identify and manage risk could have serious consequences for the Council.

Description of Risk	Likelihood	Impact	Mitigating Actions	Residual Likelihood	Residual Impact
Risk management arrangements are not sufficiently robust.	Possible	Very High	Implementing the Risk Management Strategy. Monitor and redefine if necessary the "further actions required".	Possible	Medium

7.2 An evaluation of each of the Corporate Risks is included in **Appendix C**.

8.0 FINANCIAL IMPLICATIONS

8.1 The Council transfers £5,000 per annum into a Risk Management Reserve which is managed by the Corporate Risk Management Group. The movements on the reserve during 2015/16 were as follows:

Description	£
Balance b/fwd April 2015	5,000
Add contribution for the year	5,000
<u>Less expenditure/commitments:</u>	
Balance in excess of £5k to Budget Risk Reserve.	(5,000)
Estimated balance c/fwd at 31 st March 2016	5,000

8.2 The Council's insurance contract with Zurich included an allowance of £5k in 2015/16 and £5k for 2016/17 which must be used for risk management services provided by the company. The allowance was used in 2015/16, and will be used again in 2016/17, to help develop the corporate risk management arrangements.

8.3 The Council also maintains a number of earmarked reserves and provisions to cover the financial risks that it faces. The funds include the General Working Balance, the Budget Risk Reserve and the Insurance Reserve.

9.0 EQUALITIES CONSIDERATIONS

9.1 None arising from the contents of this report.

10.0 RECOMMENDATIONS

10.1 To note the progress made on developing the Council’s approach to risk management during 2015/16.

10.2 To recommend to the Full Council the approval of the Risk Management Policy, Strategy and Corporate Risk Register for 2016/17.

11.0 REASON FOR RECOMMENDATION

11.1 To ensure that effective risk management monitoring and reporting arrangements are in place.

**B DAWSON
CHIEF FINANCE OFFICER**

Glossary of Terms <i>(delete table if not relevant)</i>	
<i>CRR</i>	<i>Corporate Risk Register –the high level risks that affect the Council’s ability to deliver its strategic priorities</i>

Decision information

Key decision number	577
Wards affected	All
Links to Council Plan priorities	All

Document information

Report author	Contact number/email
Barry Dawson	Ext 5451 Barry.dawson@chesterfield.gov.uk
Background documents	
None	
<i>This must be made available to the public for up to 4 years.</i>	
Appendices to the report	
Appendix A	Risk Dashboard
Appendix B	Risk Management Strategy
Appendix C	Corporate Risk Register