

Cheltenham Borough Council
Audit Committee – 23 March 2016
Annual Risk Management report and policy review

Accountable member	Cabinet Member Corporate Services, Councillor Jon Walklett
Accountable officer	Director Resources, Mark Sheldon
Executive summary	The Audit Committee approved the current Risk Management Policy March 2015 and requested an annual report to provide Members with an update on the Council's risk management activities.
Recommendations	That Audit Committee; <ol style="list-style-type: none"> 1. Note the risk management work undertaken during 2015/16. 2. Approve the Risk Management Policy for 2016-17 Appendix 2

Financial implications	None specifically arising from the recommendations. Contact officer: paul.jones@cheltenham.gov.uk Tel: 01242 262626
Legal implications	None specifically arising from the recommendations. In general terms, the existence and application of an effective risk management policy assists prudent decision making which is less susceptible to legal challenge. Contact officer: peter.lewis@teWKesbury.gov.uk Tel: 01684 272012
HR implications (including learning and organisational development)	Risk management training for staff and elected members will be delivered through an e-learning tool on the Learning Gateway. Employees will be kept up to date on risk management progress and good practice through management meetings, team briefings and the intranet. Contact officer: Carmel Togher, HR Business Partner carmel.togher@cheltenham.gov.uk Tel: 01242 775215
Key risks	The lack of a robust approach to the management of risks and opportunities could result in ill-informed decision making and non-achievement of the Council's aims and objectives at both a strategic and service level.
Corporate and community plan Implications	None
Environmental and climate change implications	None

1. Background

- 1.1 Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and

objectives.

- 1.2 Risk management is a key element of the Council's corporate governance framework. It is one of the six core principles of the Council's Code of Governance - 'taking informed transparent decisions which are subject to effective scrutiny and risk management'.
- 1.3 The Council's Risk Management Policy sets out the approach to risk management including the roles and responsibilities. The policy also details the processes in place to manage risks at corporate, divisional and project levels.
- 1.4 The Council's ICT services are managed through a partnership agreement; this includes the identification of risk and threats to our IT infrastructure and data and are managed in accordance to the requirements of the Public Sector Network framework. They are therefore not covered by the CBC Risk Management Policy but there are mechanisms in place to transfer share risks between 2020, ICT and CBC. e.g. through the Joint Management Board
- 1.5 In the past year, additional work has been completed to support the risk management process and help embed good practice across the council.
- 1.6 The Risk Management Policy was updated and approved by Audit Committee in March 2015 following a wide ranging review involving all elected Members and senior officers. The policy confirmed the Council's risk management appetite and objectives; links to the Council's Corporate Plan; and provides guidance on risk management approach and scoring.
- 1.7 The revised policy was made available to officers at Senior Leadership Team, Corporate Governance Group and at Divisional Management Team meetings. All policy, guidance and advice documents were updated and made available to all officers and elected Members through the risk management page on the intranet.
- 1.8 The Council has an on-line web based risk management module which records all corporate risk which can be used by all employees and Members helping to make risk management transparent.

Strategic risk management

- 1.9 The challenges facing Cheltenham Borough Council continue to intensify and the way that we meet these challenges creates the potential for increased opportunities and risk. The way that we address and mitigate the risks requires effective governance arrangements. Risk can be defined as the possibility of something happening, or not happening, that would have an impact on our ability to meet strategic or operational objectives.
- 1.10 The Council understands the importance of effective risk management and has a Corporate Risk Management Policy and an embedded risk management process.
- 1.11 The advantages of effective risk management are:
 - helping to deliver strategic objectives and corporate priorities
 - enabling better decision making
 - facilitating effective control of budgets
 - promoting better corporate governance
 - Generating better value for money.
- 1.12 The identification and assessment of risk is part of the annual Corporate Strategy and Action Planning process. The Council's Senior Management Team considers and reviews strategic risks on a monthly basis. Both of these activities include the development of risk mitigation actions designed to reduce the likelihood and/or consequences of adverse events occurring. By understanding risks, the council can be more confident about undertaking ventures which produce

larger gains, such as jointly providing services with other councils.

- 1.13** The council's approach to risk management is overseen by the Audit Committee. This committee annually reviews the Risk Management Policy, considers internal audits reports on risk management, and also receives reports from external audit on the budget, accounts, grants and Value for Money.
- 1.14** In September and October of 2015 4 Councils made the decision to proceed with the 2020 programme which will lead to an increase in shared working activity between the partners to reduce costs and improve efficiency
- 1.15** The 2020 Vision Programme will be developing business plans for sharing services with our partner Councils to make the efficiency savings needed by each Council to maintain high quality services for their residents, and for their effective governance and decision making. All of these plans will be risk assessed and will be managed either by the 2020 Joint Management Board or CBC if they are retained.
- 1.16** In the near future each of the Councils and the 2020 Programme will need to review how risk assessment processes can be aligned and applied to corporate objectives, and programme projects and work streams. The Risk Management Policy at paragraphs 2.6 states that;

When we commission the delivery of a service or enter into a shared service/inter authority agreement, providers are obliged to have a range of risk management processes in place, should they identify a significant risk that may have an impact on the Council they must advise the Client Officer. The Client Officer will then decide on the best course of action. E.g. include on either the Corporate or Divisional Risk Registers.

In addition we would expect all programme and project managers to assess the strategic and operational risks associated with the programme or project objectives before the project is selected and approved. Risks should be reviewed as the project proceeds and included within the Corporate Risk Register if the risk is likely to impact upon the authority as a whole.

- 1.17** If the outcome of this review leads to any recommendations for amendments to the Councils Risk Management Policy to bring about a greater alignment of risk management they will be reported to Audit Committee for consideration and then to Cabinet for approval.
- 1.18** The 2015/16 Corporate Strategy set out our intended milestones, performance indicators and risks associated with delivering the Outcomes and the risks associated with their delivery. The Risk Management Policy states the need for a Corporate Risk Register (CRR) to identify risks associated with the achievement of the Council's aims and objectives within the Corporate Strategy. The CRR provides information on the risk description, scores, mitigation and the owners and managers. The CRR is reviewed by the Senior Leadership Team with copies provided to Cabinet every month. Directors discuss their risks with Cabinet Portfolio holders during their 1-2-1 meetings.
- 1.19** The on-line risk management module records all of the Council's corporate and Task Force risks which are initially identified by Directors and Service Managers; these are managed by an SLT appointed Risk Owner and Risk Manager or by the Task Force Risk and Accountability Group. Any divisional or project risk with a score of 16 or above must be referred to the Senior Leadership Team, they then consider if it should be escalated and recorded on the CRR. These corporate risks can also be referred back to the divisional or project risk registers if SLT consider the risks to be under control and less of a risk to the wider organisation.
- 1.20** As at 23/2/2015 there were 17 risks on the Corporate Risk Register compared to 15 in February 2016. During the period from April 2015 to February 2016, corporate risks were deemed to have been managed to the point where they had become acceptable and either closed or transferred by the Senior Management Team back to the division for ongoing management.

Internal Audit Recommendation

- 1.21** The overspend on the Art Gallery and Museum project resulted in the Audit committee commissioning Internal Audit to undertake a review as to “why” the overspend came about and to “identify” any improved processes to prevent it from happening again.
- 1.22** The Internal Audit review led to 8 recommendations, one of these was in respect of risk management and the need to enable a move to crises management should the need arise;

Recommendation 6.

Risk management is the systematic process of understanding, evaluating and addressing these risks to maximise the chances of objectives being achieved and ensuring organisations, individuals and communities are sustainable. Risk management also exploits the opportunities uncertainty brings, allowing organisations to be aware of new possibilities. Essentially, effective risk management requires an informed understanding of relevant risks, an assessment of their relative priority and a rigorous approach to monitoring and controlling them.

However, when the risk crystalizes a decision must be made to determine if it is significant enough to move to crisis management:

Unlike risk management, which involves planning for events that might occur in the future, crisis management involves reacting to an event once it occurs. Crisis management often requires decisions to be made within a short timeframe and often after an event has already taken place.

In project terms overspend, overtime, or unable to deliver objectives all should be considered triggers for crisis management. The Council should consider developing a crisis management plan for projects ensuring appropriate powers and accountability are given to the Officer appointed as the CMO (this role is therefore likely to be from the executive management level).

- 1.23** This recommendation was considered as part of this year’s review of the Risk Management Policy and it has been resolved that there should be not further amendment to the policy, the reasons for this are;
- a) The current Risk management Policy already includes reference to risks classified as level 6 or Crises.
 - b) The current policy includes a process for continuing to challenge/review the scoring of risks, increasing the scores and for escalating them from divisional or project level to Corporate or Cabinet/Council
 - c) The other recommendations in the internal audit report included changes to;
 - d) communication process e.g. changes to risk assessments between project teams, Senior Leadership Team and elected Members - all of these have been implemented
 - e) defining roles and responsibilities i.e. who is responsible for the assessment and management of risk which has been implemented.
- 1.24** The Corporate Governance, Risk and Compliance officer has considered the current policy and the action taken in respect of addressing all of the other Internal Audit recommendations and concludes that there is no need for a new Crises Management process. This assessment is supported by the Acting Head of Internal Audit

Training

- 1.25 As part of awareness training for officers, risk management presentations have been completed at Senior Leadership Team and Divisional Management Team meetings to promote the Risk Management Policy and approach.
- 1.26 The on-line risk awareness training was updated to reflect the new policy and scorecard and this is available to all employees and Members through the Learning Gateway. A copy of the screen prints from this training module is attached at appendix 3.

Planned Improvements

- 1.27 The on-line risk management module can be developed further to include risks associated with key projects. These risks are currently managed by the project manager and reported to the programme board. A joint approach to risk management is planned for the 2020 partners so that there will be consistency in respect of the identification and scoring etc.

Policy review

- 1.28 The Risk Management Policy states the need for a formal review of the Corporate Risk Register to identify risks associated with the achievement of the Council’s aims and objectives within the Corporate Strategy.
- 1.29 The Risk Management Policy was last reviewed and approved by the Audit Committee in March 2015.
- 1.30 The Risk Management Policy has been reviewed and considered by Corporate Governance Group and the Senior Leadership Team in February, there were no substantive recommendations for amendments except for;
- 1.31 the inclusion of the role and responsibilities of Overview and Scrutiny (para 10.7)
- 1.32 The broadening of the description in relation to how CBC risks are identified within the 2020 partnership and how they are transferred/escalated to the CBC CRR. (para 2.5)
- 1.33 . It is therefore recommended that Audit Committee also consider the policy and make any recommendations that it feels necessary or re-approve it for the 2016-17 year.

2. Alternative options considered

- 2.1 None

3. Consultation and feedback

- 3.1 The Senior Leadership Team and The Corporate Governance Group routinely consulted on the content of the risk registers.

4. Performance management – monitoring and review

- 4.1 The Senior Leadership Team and The Corporate Governance Group routinely monitor risks in line with the Risk Management Policy.

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Appendices

1. Risk Assessment
2. Risk Management Policy
3. Risk Management training slides from Learning Gateway

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the council does not have a robust and effective risk management approach to the management of risks and opportunities then it could result in ill-informed decision making and non-achievement of the Council's aims and objectives at both a strategic and service level.	Director Corporate Resources	23/03/2016	4	2	8	Reduce	Ensure that the Councils Risk Management Policy is kept up to date and that the processes supporting it are robust and delivered by the decision-makers.	31/3/2016	Corporate Governance, Risk and Compliance Officer	
	If the Council does not agree an aligned Risk Management Policy with the 2020 Joint Management Board then	Director Corporate Resources	23/03/2016	4	2	8	Reduce	Discuss with 2020 partners the development of a shared Corporate Risk Management Policy	31/3/2017	Corporate Governance, Risk and Compliance Officer	

	there is a risk that the risk assessment will become inconsistent										
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Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

Likelihood – how likely is it that the risk will occur on a scale of 1-6

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

Control - Either: Reduce / Accept / Transfer to 3rd party / Close