

**Cheltenham Borough Council
Audit Committee – 18 April 2018**

**Annual Risk Management Report
And
Policy review**

Accountable member	Cabinet Member Corporate Services, Councillor Roger Whyborn
Accountable officer	Director Resources and Corporate Projects, Mark Sheldon
Executive summary	The Audit Committee approved the current Risk Management Policy March 2017 and requested an annual report to provide Members with an update on the Council's risk management activities.
Recommendations	That Audit Committee; <ul style="list-style-type: none"> • Consider and approve the Risk Management Policy for 2018-19 Appendix 2

Financial implications	No direct legal implications arise from this report <i>Contact officer: Paul Jones Section 151 officer Email: Tel: <u>Paul.Jones@cheltenham.gov.uk</u> Tel: 01242 775154</i>
Legal implications	<i>None specific arising from the report recommendations Contact officer; Peter Lewis One Legal 01242 272012 Email; <u>peter.lewis@teWKesbury.gov.uk</u></i>
HR implications (including learning and organisational development)	<i>There are no direct HR implications arising from the content of this report Contact officer: Julie McCarthy, HR Manager – Operations & Service Centre Publica Group Ltd Email: <u>julie.mccarthy@cheltenham.gov.uk</u> Tel:01242 26 4355 Tel: 01242 775154</i>
Property implications	

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 governance framework and links with 5 of the 7 core principles of the Council's new Code of Corporate Governance;
- Defining outcomes in terms of sustainable, economic, social and environmental benefits
 - Determining the interventions the necessary to optimise the achievement of the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- 1.3** The Councils Risk Management Policy sets out the approach to risk management including the roles and responsibilities for Officers and elected Members. The policy also details the processes in place to manage risks at corporate, divisional and project levels.
- 1.4** The Councils ICT services are managed by Publica; this includes the identification of risk and threats to our IT infrastructure and data, this is 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 or share risks between partners.
- 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 is made available to Senior Leadership Team, Corporate Governance Group and to Project Managers. 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.

2. SWAP Internal report on Risk Management at Cheltenham Borough Council

- 2.1** As part of the 2017/18 audit plan a high-level review of Risk Management processes at

Cheltenham Borough Council (CBC) was undertaken and the effectiveness of these processes in relation to a major programme, the Cheltenham Crematorium Development project, was also examined.

- 2.2** Planning permission was granted for the Crematorium Development in summer 2017, work started on the first phase in October 2017 and the programme has a target completion date of spring 2019. Pick Everard have been appointed to provide project management and quantity surveying support and Willmott Dixon have been appointed as principal contractor.
- 2.3** During this audit, discussions were held with the Governance, Risk and Compliance Officer and the Programme Manager of the Cheltenham Crematorium Development. They also had access to the CBC website, staff intranet and shared drive.
- 2.4** SWAP concluded that it could offer substantial assurance as the areas reviewed were found to be adequately controlled. They also found that internal controls were in place and operating effectively at all times and risks against the achievement of objectives were well managed.
- 2.5** They established that risk registers are kept as follows at CBC;
- Corporate Risk Register
 - Divisional Risk registers
 - Project / Programme Risk Registers
- 2.6** The Risk Registers reviewed were found to be maintained, reviewed and scored in accordance with the policy.
- 2.7** A risk training workshop was delivered to all Service Managers and Directors (November 2016). Previously, a self-led risk course is also available to all Officers
- 2.8** Risk management processes operating in relation to the Cheltenham Crematorium Development programme were found to be implemented in accordance with those outlined in the policy.
- 2.9** From the high-level review of current risk management arrangements and processes undertaken, we can offer substantial assurance they are being carried out in line with policy and should help to manage risk and support the delivery of CBC's objectives at all levels of the organisation.
- 2.10** They found that processes operated well in the following areas:
- Risk Registers – Evidence was seen to support that risks are recorded and scored in accordance with the Risk Management policy and are regularly reviewed by appropriate Officers.
 - Programme Risk reporting, monitoring and review – Highlight reports were seen to support that programme risks are regularly reported to the Senior Leadership Team (SLT) and meeting minutes confirm that risks are also reported to Members for them to monitor and review.
- 2.11** The report proposed one level 3 Outcome (the accuracy of records is at risk and requires attention), *that the Programme Manager should ensure specific information of the changing profile of risks owned by Willmott Dixon is included in Willmott Dixon's progress reports, so that CBC are aware of any impacts and can work with the contractor to mitigate.*
- 2.12** The Project Manager has provided assurance that the contractor's progress report will record changes to the risk profile under the heading of 'Areas of Future Concern and Opportunity'. They will use the progress meeting agenda item to further check for any changes to risks owned by the

contractor which have an impact on CBC or vice-versa.

- 2.13** I can confirm that the Project managers' assurance delivers the recommended outcome and that risk profile heading of 'Areas of Future Concern and Opportunity is being considered at the Project Risk Management Group.

Strategic risk management

- 2.14** 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.
- 2.15** The Council understands the importance of effective risk management and the importance of an embedded risk management process. This;
- Helps to deliver strategic objectives and corporate priorities
 - Enables better decision making
 - Facilitates effective control of budgets
 - Promotes better corporate governance
 - Generates better value for money.
- 2.16** 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.
- 2.17** 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.
- 2.18** The 2017/18 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.
- 2.19** The CRR 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, the Task Force Risk and Accountability Group or project management team. 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. Any risk with a score of less than 16 can still be reported to SLT if the Risk Owner considers that they should be made aware of it.

Training

- 2.20 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.
- 2.21 Intranet reminders with links to the Risk Management Policy, Score Card and on-line training material have been published
- 2.22 The risk awareness training was updated to reflect the new policy and scorecard.

Transparency

- 2.23 The Councils Intranet has a dedicated Risk Management webpage with guidance and links to the Risk management policy, the Scorecard, training material and the CRR
- 2.24 All Council committee reports that require a decision must have a risk assessment to support the decision making process, these reports with the risks are published
- 2.25 The CRR is normally reviewed monthly at SLT and made available to Cabinet Members it is then published within the Transparency section of the Councils website.

Policy Review

- 2.26 The Risk Management Policy states the need for a formal review of the CRR to identify risks associated with the achievement of the Council's aims and objectives within the Corporate Strategy.
- 2.27 The Risk Management Policy was last reviewed and approved by the Audit Committee in March 2017.
- 2.28 The Risk Management Policy was considered by the Corporate Governance Group in February, there were no substantive recommendations for change.
- 2.29 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 2017-18 year.

3. Alternative options considered

- 3.1 None

4. Consultation and feedback

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

5. Performance management – monitoring and review

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

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Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Risk Management Policy

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 and Corporate Projects	18/04/2018	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.	18/04/2018	Corporate Governance, Risk and Compliance Officer	

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

