

Cheltenham Borough Council
Audit Committee – 21 March 2012
Review Risk Management Policy

Accountable member	Cabinet Member Corporate Services, Councillor Colin Hay
Accountable officer	Director of Resources, Mark Sheldon
Accountable scrutiny committee	Economy and Business Improvement Overview and Scrutiny
Ward(s) affected	None
Key Decision	No
Executive summary	<p>The Risk Management Policy, including any guidance notes, is reviewed once a year by the Audit Committee to incorporate further development in risk management processes and/or organisational change. There have been two key issues that have led to revisions of the Risk Management Policy this year.</p> <ol style="list-style-type: none"> 1. The Senior Management Team (SLT) identified the need to include guidance on how confidential risks (defined as exempt items) are managed and reported. 2. The need to revise the risk scorecard to simplify the categories and definitions and to increase the Impact scoring range from a factor of 4 to 5.
Recommendations	<ol style="list-style-type: none"> 1. Agree the revised Risk Management Policy including a process for managing and reporting confidential risks. Appendix 1 2. Agree the introduction of the revised risk scorecard so that it coincide with new risk management module Appendix 2 3. To consider the Risk Management Policy and make any further recommendations for improvements.

Financial implications	<p>'The identification and assessment of financial risk is a key element in the process of managing the council's financial exposure. The revised scorecard strengthens and clarifies the process for understanding financial exposure and removes some of the ambiguity in assessing financial risk. The revisions to the policy and risk management processes strengthen the councils general risk management approach and, in particular, improve the management of financial risk</p> <p>Contact officer: mark.sheldon,@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>As referred to in the report and policy.</p> <p>Contact officer: peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>Training / awareness of the new risk management system will need to be arranged for the relevant officers.</p> <p>Contact officer: Amanda Attfield, amanda.attfield @cheltenham.gov.uk, 01242 264186</p>
Key risks	<p><i>If the Risk management policy is not maintained to meet changes to strategy and operational developments then there is a risk that the councils assets and reputation are put at risk</i></p>
Corporate and community plan Implications	<p>None</p>
Environmental and climate change implications	<p>None</p>

1. Background

- 1.1 The Risk Management Policy is reviewed on an annual basis, this years review includes changes that will help facilitate introduction of the new risk management system.
- 1.2 The review also needed to take account of the following recommendation from the Internal Audit assurance report on risk management.

To enable a comprehensive audit trail of risk scores, both 'original' and 'current' scores (before and after control actions) should be included in the Corporate Risk Register.

- 1.3 To meet this recommendation and to include a new residual score within the register it is considered necessary for there to be a wider spread of impact score categories. The current scorecard has 4 levels for Impact; the revised scorecard has 5 with the likelihood criteria remaining unchanged at 6.
- 1.4 There have been a number of other suggestions from risk owners and internal audit about the description of risk categories i.e. resources, quality, outcomes and time. These suggestions have been taken on board and the number of categories reduced and their descriptions re-defined.
- 1.5 An amendment has also been made to the policy to include a reference as to how confidential risks should be managed.

2. Reasons for recommendations

- 2.1 The council believes that risk needs to be managed, rather than avoided and that a rigorous approach to all aspects of risk management is an integral part of good management practice. The key to having an effective risk management process that is embedded within the culture of the organisation is to have an up to date policy that reflects the structure of the organisation;
- 2.2 That the council continues to achieve its objectives and outcomes and a sustainable improvement in services
- 2.3 SLT consider the Corporate Risk Register on a monthly basis and have agreed that there should be a new risk management module developed to reflect the increasing number of risks being identified, the need for additional information about the mitigating actions being taken and for more publicly available information in-line with the governments commitment for increased transparency.
- 2.4 This new risk management system will capture and report all of the information within the current risk register and provide the following additional functionality and data;
 - The linking of Corporate risks to divisional and programme risks
 - The provision of Residual (the acceptable score after mitigating action has been taken) Risk scoring
 - Wider variety of standard reports
 - Automatic email reminders to officers to update risk information.
- 2.5 This additional functionality will take away some of the manual intervention that has meant that confidential risk were filtered out of public registers. The policy has been amended to allow for these risks to be reported but with certain information being redacted for Data Protection and legal reasons.

2.6 The introduction of residual scoring is felt necessary to help officers focus on what are acceptable levels of risk so that they can be managed in a positive way. This will mean that there needs to be a slightly wider range of scoring to allow for a reasonable differential between actual and residual risk.

2.7 The new module will also provide risk owners with an audit trail for each individual risk and a “Risk Heat Map” for the whole authority or division.

3. Consultation and feedback

3.1 A number of officers who are actively involved in the management of risk and Internal Audit have been consulted and a number of positive suggestions have been taken on board and used in revising the policy.

4. Performance management –monitoring and review

4.1 Monthly risk monitoring reports are monitored by the Senior Leadership Team and informally by Cabinet members and then Quarterly to Economy and Business Improvement Overview and Scrutiny committee and Cabinet which includes:

- The most significant corporate risks faced by the council;
- The associated management actions which are considered urgent;
- The resource implications of any management actions.

Report author	Contact officer: Bryan Parsons, Governance, Risk and Compliance officer Email; bryan.parsons@cheltenham.gov.uk, 01242 264189
Appendices	<ol style="list-style-type: none"> 1. Report Risk Assessment 2. Risk Management Policy 3. Risk Scorecard
Background information	None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-4	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Risk management policy is not maintained to meet changes to strategy and operational developments then there is a risk that the councils assets and reputation are put at risk	Director Resources	01/03/2012	3	1	3	reduce	To have in place procedures that ensure the policy is kept up to date and relevant and that a culture of effective risk management is maintained	Annual	Corporate Governance, Risk and Compliance officer	

Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-4 (4 being the greatest impact)

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

Impact Description	Impact score	Probability	Likelihood Description	Likelihood Score
Negligible	1	0% - 5%	Almost impossible	1
Marginal	2	5% - 15%	Very low	2
Major	3	15% - 30%	Low	3
Critical	4	30% - 60%	Significant	4
		60% - 90%	High	5
		> 90%	Very high	6

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