

REPORT TO CABINET

Title: **ANNUAL REVIEW OF RISK MANAGEMENT STRATEGY AND COUNCIL'S KEY RISKS UPDATE REPORT**

Date: 17 December 2009

Member Reporting: Councillor Kellaway

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Wards Affected: All Wards

1. SUMMARY

1.1 This report makes Members aware of the developments in Corporate Risk Management during the period 1st September 2008 to 31st August 2009 in compliance with the requirements of good Corporate Governance. This report includes:

- An overview of the risk management work and achievements in the reporting period (1st September 2008 to 31st August 2009), including progress made on the development of the Corporate Risk Register in respect of the Council's key strategic and operational risks¹.
- The Council's 2009/10 Risk Management Strategy.

2. **RECOMMENDATION: That the findings of this report on the annual review of the Council's Risk Management Strategy be noted.**

What will be different for residents as a result of this decision?
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As a result of specific actions to identify and manage the Council's significant business risks, residents will benefit from the Council's improved operational stability and consistency, resulting in improved Customer satisfaction.

3. SUPPORTING INFORMATION

Background

3.1 Risk Management is a key element in the Council's governance arrangements and control environment.

¹ For timing reasons, some of the Key Risk Review dates are from early September 2009.

Risk Management Developments since report to Cabinet (25th September 2008)

3.2 Table 1 details the key successes in developing the risk management framework since the most recent report to Cabinet on the 25th September 2008.

Table 1: Risk Management Developments

Success	
1	Quarterly risk management reporting to Services Management Team and the Audit and Performance Review Panel with annual reporting to Chief Executive's Management Team and Cabinet
2	Targeted Risk Management Training held for: <ul style="list-style-type: none"> • School Heads and Deputy Heads for Construction (Design and Management) Regulations during November/December 2008 and again June 2009. • School Bursars 12th and 13th May 2009
3	Continued expansion for the use of JCAD Risk (the web-enabled version of the Corporate Risk Register) so that all Risk Owners have direct access to the system used to manage and record Council risks.
4	<ul style="list-style-type: none"> • Risk management training continues to be included in the staff induction process. • Development of Risk Management resources for officers within Hyperwave.
5	Corporate Risk Register data and risk based assessments directly inform the 2009/10 Internal Audit Strategic Plan.
6	Use of Balanced Scorecard indicators to enhance Performance Measures element on the Key Operational and Key Strategic Risk reports.
7	Maintenance of strong links with other councils. The Insurance and Risk Manager attends and is Chair of the Alarm ² South East Group, which meets on a quarterly basis. The main aim of this group is to share and disseminate good practice, and it has proved to be a very useful forum.
8	<p>In April 2009 the Council's Fraud Risk Assessment Matrix was a Finalist in the "2009 European Risk Management Awards" for "Best Risk Management approach in the Public Sector". The Matrix enables the Council to demonstrate how the risk of fraud and corruption is specifically considered as part of its overall risk management process with the results forming an integral part of each Service Area's Corporate Risk Register profile.</p> <p>In July 2009 the Council's approach to managing risk was recognised at the "Alarm Risk Management Awards 2009" being awarded "Highly Commended" for its Construction (Design and Management) Regulations Assessment Matrix. This is a tool for Borough schools to use whenever they organise any form of construction work. It enables the school to expedite those arrangements and minimise the risk of being involved in construction work outside the school's expertise and ability to safely manage it.</p>

² The national body responsible for promoting best practice in the management of risk within the public sector.

Progress on the Development of the Corporate Risk Register

- 3.3 The Corporate Risk Register records the risks that relate to the achievement of the Council's objectives. This tool is accessible to all Risk Owners who have various updating and viewing privileges, depending on their position in the Council hierarchy with regard to the management of the risk/s in question. All risks are also mapped onto either the Operational or Strategic Corporate Plan. The purpose of the Risk Register is twofold:
- i. To highlight those risks that Directors identify as 'over-arching' which require a corporate response. Some 'directorate' risks are also included in a Key Strategic Risk report in Appendix A, where it is felt that failure could seriously compromise the whole Council. This report forms part of the quarterly reporting process to the Audit and Performance Review Panel.
 - ii. To highlight those risks specific to Operational activities of Service Areas within Directorates where failure carries high risk impacts. Access to these risks can be found on Hyperwave, the Members' Room, Group Rooms, from Democratic Services and the Council's website. These also form part of the quarterly reporting process to the Audit and Performance Review Panel. Further reference to the nature of the ongoing work of the Panel is made in 3.5 – 3.8.
- 3.4 Strategic risks are those risks which need to be taken into account in judgements about the medium to long term goals and objectives of the Council and will often impact across the entire or significant portions of the organisation. Strategic risks are by their very nature best identified by those in the most senior positions, whose role entails policy and strategic decision-making.
- 3.5 The first quarterly risk management report was made to the Audit and Performance Review Panel on 26th September 2007. Quarterly reporting to Members with the responsibility for risk management issues complies with both Audit Commission guidance on best practice and the principles of good Corporate Governance and provides assurance that risk is being effectively managed. The reports detail the controls used to mitigate the risk and the progress towards successfully implementing these measures.
- 3.6 A named Council Officer and a Lead Member own all key risks jointly to ensure sufficient priority and attention is given towards controls. The Council's Key Risks, which are presented on a quarterly basis to SMT, DMT's and the Audit and Performance Review Panel, are available in the Members' Room, Group Rooms, from Democratic Services and the Council's website and as such have not been included as part of this report, apart from the "Key Strategic Risks" in Appendix A and, for reference, "Amendments to the Strategic and Operational Risks since the last report to Audit and Performance Review Panel 28th April 2009" in Appendix C. The reports comprise:
- Current Key Operational Risks for Environmental Services
 - Current Key Operational Risks for Children's Services
 - Current Key Operational Risks for Adult and Community Services
 - Current Key Operational Risks for Resources
 - Explanation of Information Captured by the Key Risk Reports

- 3.7 Two risks have been completely removed from the Schedules presented to the Audit and Performance Review Panel at their most recent quarterly Key Risks Update report 28th April 2009:
- 3.7.1 Reference KSR4. The detailed reasons for removal were detailed in the report of 28th April. Essentially, the Officer Risk Owner significantly amended KSR4 in order to provide less reliance on savings from Berkshire Procurement and Shared Services Unit and Improvement & Efficiency South East. This was to ensure that sole responsibility for the achievement of procurement savings sat with Council Officers and Members and not with third party organisations where there is limited sanction in the event of failure to deliver.
 - 3.7.2 Reference KSR8. Removed as it was found to be phrased very broadly and furthermore without any named Risk Owners or Performance Measures to make it effective. This risk was captured as "Failure to ensure a robust and clear decision-making and/or policy approval framework leads to delays in implementing recommendations and improvements with consequent resident dissatisfaction and negative publicity".
 - 3.7.3 Two further risks have been removed from the Key Strategic Risk Register following consultation with CMT 29/09/09:
 - 3.7.4 Reference KSR2. This risk was captured as "Securing commitment to change /change management failure, including lack of or inappropriate consultation with officers to necessitate change across the Council." This risk was removed by CMT as it was found to be phrased very broadly.
 - 3.7.5 Reference KSR11. This risk was captured as "No Customer Management Strategy will lead to uncoordinated customer experience and service provision." This risk was removed by CMT as it was not deemed to be High Risk based on the Council's risk assessment criteria.
 - 3.7.6 One new risk has been added to the Key Strategic Risk schedule, reference KSR13, concerning the effect of a breach of the Race Relations Act 2000.
 - 3.7.7 One new risk has been added to the Key Operational Risk schedule for Resources, reference RES6, concerning the financial impact of the current increase in child safeguarding referrals. The risk of failing to follow correct safeguarding procedures leading to serious harm to a child has previously been captured as a Key Children's Services risk, reference CS1.

2009/10 Risk Management Strategy

- 3.8 The Council periodically reviews its Risk Management Strategy to ensure that it continues to be fit for purpose. The Risk Management Strategy for 2009/10 (Appendix B) reflects both current and future developments in the Risk Management Framework. The 2008/09 document was presented to Directors' Group 27th August 2008, Audit and Performance Review Panel 10th September 2008 and approved at Cabinet 25th September 2008. There are no significant changes from that to the 2009/10 version.
- 3.9 Risk Management continues to be developed within the Authority. A programme of identification and assessment of all RBWM strategic and service area risks was started in 2003 and the Corporate Risk Register records the evaluation of all risks identified.

3.10 Opportunity Management is to be specifically developed in the forthcoming year to complement the Risk Management Strategy and enable improved balancing of threat and opportunity. Opportunity management is a structured process to identify, prioritise and manage the opportunities facing an organisation so that the benefits are exploited to the advantage of the organisation and its stakeholders. Opportunity management considers the positive side of risk management where the management of a potential threat can, in fact, lead the organisation into taking the opportunity of doing things in a different way and achieving positive outcomes.

4. OPTIONS AVAILABLE AND RISK ASSESSMENT

4.1 Options

	Option	Comments	Financial Implications
1.	Note and approve the findings of this report on the annual review of the Council's Risk Management Strategy.	The Council must demonstrate that its Annual Governance Statement complies with Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement. This includes, as one of its core principles, a requirement for the Council to demonstrate how it manages risk and ensures that it has a system of controls that are key in mitigating risks that may affect the achievement of the Council's objectives.	Revenue Officer time in dealing with operation of Risk Management Strategy. Capital None
2.	Accept the findings of this report and the 2009/10 Risk Management Strategy, with amendments.	CMT may wish to request that this report and/or the 2009/10 Risk Management Strategy be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues in which the report or Strategy are deficient.	Revenue Officer time in dealing with operation of Risk Management Strategy. Capital None
3.	Not approve 2009/10 Risk Management Strategy.	This may expose the Authority to unnecessary risks by not having an adequate internal control framework leading to poor performance, poor outcomes for service users/citizens and a specific attributable negative impact on	Revenue Inappropriate expenditure on aspects of business with uncontrolled risks attached to them. Capital

Option	Comments	Financial Implications
	the Council's CPA/CAA.	None

4.2 Risk Assessment

- 4.2.1 If Risk Management is not made part of “business as usual” for Council officers, this may lead to the Council’s self-assessment of Risk Management indicating a weakness in embedding the process. Specific and measurable parts of the Comprehensive Performance Assessment (CPA) promote and persuade officers of the significance and value of the Risk Management process.
- 4.2.2 An absence of Senior Management support for Risk Management would be viewed as disappointing by the Audit Commission, impacting on the Council’s CPA/CAA score. The regular reporting structure and scrutiny process ought to provide a robust framework for managing risk.
- 4.2.3 There is the general risk that if the Council fails to make good use of the management of risk processes it is likely to lead to uncontrolled exposure to many high level strategic and operational risks. As Risk Management becomes a management competency, part of staff skills set and part of Council business as usual the regular reporting and assessment structure ought to provide a robust framework for managing risk.

5. CONSULTATIONS CARRIED OUT

- 5.1 Consultations have taken place with the Audit Commission, Audit and Performance Review Panel, CMT, Audit and Review Unit and Heads of Service through Directorate Management Teams.
- 5.2 Best practice advice has been sought through Alarm. Significant parts of the Council’s “Risk Managed” guide for managers were included in the Alarm national Risk Management process, which is now utilised by the majority of UK public sector bodies.

6. COMMENTS FROM THE AUDIT AND PERFORMANCE REVIEW PANEL

This report was considered by the Audit and Performance Review Panel at their meeting held on 17 September 2009. Members considered that their involvement in the risk register was secondary to the central aim of management developing and maintaining a good understanding of risk. A comment was made that the explanatory pages and notes were particularly useful, particularly to those new to risk management, or members of the public. The importance of Councillors reviewing the risks that they owned in a timely fashion was stressed. It was resolved unanimously that the findings of the report on the annual review of the Council’s Risk Management strategy be noted.

7. IMPLICATIONS

7.1 The following implications have been addressed where indicated below.

Financial	Legal	Human Rights Act	Planning	Sustainable Development	Diversity & Equality
N/A	N/A ³	N/A	N/A	N/A	N/A

Background Papers:

Annual review of Council Risk Management Strategy - Minutes of Cabinet 22/08/02, 24/07/03, 22/07/04, 28/07/05, 27/07/06, 23/08/07, 25/09/08

³ There may be implications in terms of implementing the risk control measures in the Key Risk Reports.