

RISK MANAGEMENT FRAMEWORK ANNUAL REPORT

<u>Report of the:</u>	Head of Corporate Risk
<u>Contact:</u>	Gillian McTaggart
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices (attached):</u>	<u>Annexe 1</u> – Flowchart of Risk <u>Annexe 2</u> – Leadership Risk Register
<u>Other available papers (not attached):</u>	N/A

REPORT SUMMARY

This report provides an update on the Council’s risk management arrangements and identifies key risks at corporate level and operational level.

RECOMMENDATIONS

That the Committee:

(1) Notes the improvements within the risk management arrangements;

Considers the key risks to the Council within the Leadership Risks and comments on the issues raised, and how they are managed.

1 Implications for the Council’s Key Priorities, Service Plans and Community Strategy

- 1.1 Good risk management is a key element of corporate governance and this underpins the achievement of all the Council’s Key Priorities and Core Values for this period.
- 1.2 One of the Core Values for the Corporate Plan 2012 to 2016 is Value for Money and good risk management is key to ensuring that we use our time, money and other resources wisely to deliver services at an affordable cost.

2 Background

- 2.1 Since 2012, the Committee has received an annual report on the Council's risk management arrangements. There are many elements within risk management, as well as operational and corporate risks. These include insurable risks, integrated emergency management and business continuity, partnership risks and health and safety risks.
- 2.2 Operational and corporate risks are linked as the Council maintains a Leadership Risk Register, a Service Risk Register, and a Partnership Risk Register. The insurable risks are reported in an annual updated to the Strategy & Resources Committee. To assist the Committee, an overview of the Council's Risk Management Framework is provided at Annexe 1.
- 2.3 Some risks will always exist and they will never be eliminated due to the Council's statutory obligations, however we must manage those risks and take action where appropriate. The Corporate Governance Group has encompassed the Corporate Risk Group and this will oversee the risk management arrangements and review key projects, training requirements and review the service and leadership risks.
- 2.4 Internal Audit reviewed the Council's risk management arrangements in March 2015, providing a Green opinion as the Council has strengthened its arrangements. They reported that **“following the work undertaken in 2014, they identified work done to strengthen risk management aligning the risks captured. Corporate governance and risk management has been integrated as service risks are compiled from the Divisional Assurance Statements.”**
- 2.5 The auditors recommended that further work can be done to align all key governance and this will form part of setting the new Corporate Plan.

3 Key Risks

Leadership Risk Register

- 3.1 The Leadership Risks are essentially the top ten risks at senior leadership level. These risks are refreshed at least twice yearly. The Leadership Risk Register is attached as Annexe 2. It was last reviewed by the Corporate Governance Team in October and by the Leadership Team in November. The Top Ten Leadership Risks are as follows:-

3.2

L1	Failure to achieve service cost reductions and efficiencies.	Medium
L2	Lack of Procurement, Project Management and Contract Management skills in order to implement key projects	High
L3	Review of workforce including skills and resilience and the use of Agency staff within services.	High

L4	Failure to take opportunities for transformational change and IT related changes and corporate projects.	High
L5	IT systems – Resilience and efficient running of network and applications.	Medium
L6	Data Protection and Information Governance – compliance with legislation and best practice	High
L7	Property and Asset Management – The lack of available funding to maintain the Council’s assets due to reductions in revenue and the capital programme.	High
L8	Partnership and joint working arrangements including Town Centre Improvements (Public Realm), Kiln Lane Link Road, Hollymoor Lane Development, Upper High Street Development.	Medium
L9	Embedding the new senior management arrangements and ensure governance arrangements are in place to deliver services.	High
L10	Delivering Affordable Housing and managing homelessness.	Medium

National Risks for Local Authorities

3.3 Alarm (The Public Risk Management Association) produced a paper in July 2015 identifying the Top Three Risks faced by local government; these were

- Financial Management
- Organisational Transformation and the pace of change
- Welfare Reform and the integration of health and social care.

3.4 The Committee is asked to consider the key risks that are nationally affecting local government with those within the Council’s Leadership Risk Register identified in Annexe 2.

Service Risks

3.5 The Service Risks are obtained from the Divisional Assurance Statements. A total of 86 Service Risks were identified, of which 27 were high risks, 49 medium risks and 10 low risks. All High Risks are allocated a risk owner and an action to address the risk.

- 3.6 The high risks identified in 2014 were also reviewed to ensure either action has been taken or the risk has been highlighted within the 2015 risks by the relevant Head of Service. The Leadership Team has reviewed the Service Risks.
- 3.7 A summary of some of the key high risk areas identified by the Heads of Service are:
- 3.7.1 Further cuts in central funding and ability to deliver savings within the new Medium Term Financial Strategy.
 - 3.7.2 Lack of staffing resources and ability to deliver effective services and large projects.
 - 3.7.3 Weakness in formal procedures for procurement, contract management and project management.
 - 3.7.4 Increased reliance on bed and breakfasts for homeless.
- 3.8 Some of these service risks are picked up within the Leadership Risk Register although there is a clear difference between operational and strategic issues.

Emergency Planning and Business Continuity

- 3.9 The Council has adopted the Surrey Community Risk Register as the Council's community risk register and arrangements for supporting vulnerable people during an emergency.
- 3.10 The Council held a recent successful exercise to establish a Borough Emergency Command Centre. This was based on a flooding scenario and a number of officers were involved to strengthen and extend involvement should the Council have a prolonged emergency such as occurred in winter 2013/14

4 Financial and Manpower implications

- 4.1 There are no specific financial or manpower implications for the purpose of this report.
- 4.2 Officers are taking a pragmatic approach to ensure that the process does not become unduly bureaucratic, whilst ensuring that reasonable changes are considered where appropriate.
- 4.3 **Chief Finance Officer's comments:** None for the purposes of this report.

5 Legal Implications (including implications for matters relating to equality)

- 5.1 The Council must publish an Annual Governance Statement, one of its core principles is a requirement to demonstrate how the Council manages risk and ensures that a system of controls exist to mitigate the risks that affect the achievement of the Council's objectives.

- 5.2 **Monitoring Officer's comments:** A number of the risks identified involve potential legal risks and it is important that the actions identified to mitigate the risks are taken.

6 Sustainability Policy and Community Safety Implications

- 6.1 There are no particular community safety implications for the purpose of this report.

7 Partnerships

- 7.1 The Council will work with Internal Auditors to improve risk management arrangements.
- 7.2 The Council is working with the London Borough of Sutton to handle insurable risks and improve operational risk management such as inspection regimes, and record keeping.

8 Risk Assessment

- 8.1 Good risk management will help to ensure that the Council achieves its objectives and will minimise loss and damage which will have a positive effect on the Borough.
- 8.2 The Council's risk management arrangements are an integral part of the governance arrangements. Failure to enhance the risk management arrangements may impact on the Council's Annual Governance Statement or Council may fail to mitigate risks correctly.

9 Conclusion and Recommendations

- 9.1 The Risk Management Framework ensures the Leadership Team manage key risks.
- 9.2 Council risk management arrangements have been improved and strengthened.
- 9.3 The Committee is asked to:
- 9.3.1 Note the improvements within the risk management arrangements;
- 9.3.2 Consider the Leadership Risks and comment on the issues raised.

WARD(S) AFFECTED: All