

RISK MANAGEMENT FRAMEWORK ANNUAL REPORT

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Gillian McTaggart
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	
<u>Annexes/Appendices (attached):</u>	<u>Annexe 1</u> - Risk Management Strategy 2017-2021 <u>Annexe 2</u> – Flowchart of Risk <u>Annexe 3</u> - Leadership Risk Register
<u>Other available papers (not attached):</u>	

REPORT SUMMARY

This report enables the Committee to meet its responsibilities for monitoring the development of the Council's risk management arrangements.

RECOMMENDATION (S)

That the Committee:

- (1) Agrees the updated Risk Management Strategy 2017-2021 attached at Annexe 1.**
- (2) Considers the contents of the report and confirm that they are satisfied with the arrangements in place.**
- (3) Reviews the Leadership Risk Register and determines if there are any matters they wish to raise to the Leadership Team.**

Notes

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

- 1.1 Effective risk management is an integral part of ensuring that services are delivered.

2 Background

- 2.1 Since 2012, the Committee has received an annual report on the Council's risk management arrangements. The role of the risk management framework is to provide a focus on good practice and to facilitate, guide and train. Many risks are timeless and are managed on a daily basis through internal controls and policies such as the financial regulations and data protection principles. Risk management covers both strategic and operational elements incorporating insurable risks, emergency planning and business continuity, health and safety risks and the Council's risk registers.
- 2.2 Risks are proportional and we are required to take risks in order that we can take opportunities to deliver services in innovative ways.
- 2.3 The Council has strengthened its arrangements for risk management and is now embedding them through the Leadership Team. Key improvements and events during 2015/2016 include;
 - 2.3.1 All key corporate projects are identified, monitored and risk assessed by the Leadership Team and the detailed risks are identified and controlled through the project management framework.
 - 2.3.2 The Corporate Governance Group has responsibility for identifying and escalating common risks to the Leadership Team and promoting changes to corporate governance arrangements.
 - 2.3.3 The Leadership Team review and challenge the top ten risks within the Leadership Risk Register on a regular basis and also review the risks within the Service Risk Register.
 - 2.3.4 The arrangements for emergency planning have been strengthened to improve resilience and all members of the Leadership Team have had training and have been provided with the emergency cascade list. Two exercises were held to provide training and awareness on emergency planning and business continuity and further work is being done to strengthen departmental business continuity plans.
- 2.4 The Head of Internal Audit's opinion for 2015/16 agreed that the Council has an adequate and effective framework for risk management and governance.

3 Risk Management

- 3.1 The Risk Management Strategy attached in annexe 1 has been updated to reflect the changes to roles and responsibilities and the need to have an integrated approach to risk management. This strategy supports the Corporate Plan and is an integral part of ensuring services are delivered during organisational change and the current financial pressures.

- 3.2 The Council maintain a Leadership Risk Register, Service Risk Register and Partnership Risk Register. Details on the Council's insurable risks are reported annually to the Strategy and Resources Committee. To assist the Committee, an overview of the Council's risk management arrangement is provided in Annexe 2.

Leadership Risks

- 3.2 The Leadership Risks consist of the top ten risks at the senior leadership level. These are refreshed at least twice a year. It was last reviewed by the Leadership Team in September and by the Corporate Governance Group in October. The Leadership risks are as follows:

L1	Delivering further efficiency savings through the Cost Reduction Plan as part of the MTFS.	High
L2	Gaps in staffing resources affecting resilience levels and the ability to deliver services	High
L3	Limited workforce planning in place to review future requirements including staffing levels, skills, pay gap and resilience corporately and departmentally.	High
L4	Failure to take opportunities for transformational change and IT related changes and corporate projects.	High
L5	The resilience and efficient running of all IT systems, networks and applications.-	Medium
L6	Compliance with Data Protection and Information Governance legislation and best practice	Medium
L7	Introduction of the new Waste Strategy and the new Transport Fleet by March 2017.	High
L8	Managing the Council's assets portfolio to maximise income and minimise costs.	High
L9	Managing the risk of delivering phase 1 of Plan E improvement scheme with various partners.	High
L10	Delivering more affordable housing and managing the cost of homelessness.	Medium

National Risks

- 3.3 Zurich Municipal monitors the changes in local government risks and the top three risks facing local government remain budget pressures; changes to policy, legislation and regulation; and workforce planning. Additional risks to local authorities include environmental factors such as flooding and storms, reputation, social media, data protection and transformational change.

Service Risks

- 3.4 The Service Risks are obtained from the Divisional Assurance Statements that all Heads of Service complete as part of the process to complete the Annual Governance Statement. In 2016 a total of 53 service risks were identified of which 24 were high risks. In comparison, in 2014/15 86 service risks were identified, 27 of which were high risks. All high risks are allocated a risk owner and an action to address the risk.
- 3.5 The Leadership Team has reviewed the service risks and these are linked to the Leadership Risk Register. Some risks were identified in several service areas and therefore are highlighted as a strategic risk although there is a clear difference between the operational and strategic issues.
- 3.6 Some of the key risk issues identified are:-
- 3.6.1 Financial deficit following the settlement and additional cuts above the 4 year settlement EEBC has received.
 - 3.6.2 Property funds and investments and ensuring that they are set up and managed legally and appropriately.
 - 3.6.3 Stretched staffing resources with a number of vacancies affecting the ability to deliver services.
 - 3.6.4 Weaknesses in procurement and contract management.
 - 3.6.5 Budgetary overspends on temporary accommodation and homelessness.

4 Financial and Manpower implications

- 4.1 There are no specific manpower implications for the purpose of this report
- 4.2 **Chief Finance Officer's comments:** Effective risk management is an integral part of ensuring that services are delivered, and the Council's Risk Management Strategy provides Members with an understanding of key risks and issues of concern and the actions proposed to mitigate risk, including financial risks to the Council.

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

- 5.1 The Council must publish an Annual Governance Statement.

- 5.2 The Council has a duty under the Civil Contingency Act 2004 as a category 1 responder. This means that we must work together with a range of other agencies to plan for and respond to a wide range of possible emergencies, in categories including risks of flooding, major accidents, terrorist attacks and many other types of incident. This is relevant when assessing the risks to our own organisation, particularly in respect of business continuity – we need to be able to continue to undertake our category 1 responder role even when issues directly affect our own operations.
- 5.3 The Council have an integrated emergency strategy which maps the arrangements in place to prevent, control and mitigate the effects of an emergency. This is regularly tested and supported by a range of other plans. Training has been given to the Leadership Team.
- 5.4 ***Monitoring Officer's comments:*** It is important that members understand and oversee the risks faced by the Council and raise issues of concern.

6 Sustainability Policy and Community Safety Implications

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

7 Partnerships

- 7.1 The Council will work with the Internal Audit to improve risk management.
- 7.2 The Council continues to work with the London Borough of Sutton to handle insurable risks and improve operational risk management through improved record keeping, training, inspection regimes and feedback on claims.

8 Risk Assessment

- 8.1 Risk management is an integral part of delivering services and it helps the Council to:
- 8.1.1 Improve strategic, operational and financial management;
 - 8.1.2 Implement robust operational and service performance;
 - 8.1.3 Maximise opportunities and minimise losses.

9 Conclusion and Recommendations

- 9.1 The Committee is asked to:
- 9.1.1 Agree the updated Risk Management Strategy.
 - 9.1.2 Consider the report and confirm they are satisfied with the arrangements in place.

AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE
15 NOVEMBER 2016

9.1.3 Consider the leadership risks and comment on any of the issues raised.

WARD(S) AFFECTED: (All Wards);