

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Review of the Risk Management Strategy
Meeting/Date:	Overview and Scrutiny Panel (Performance and Customers) - 7 September 2016 Cabinet - 22 September 2016
Executive Portfolio:	Strategic Resources: Councillor J A Gray (Deputy Executive Leader)
Report by:	Internal Audit & Risk Manager
Ward(s) affected:	All Wards

Executive Summary:

The Risk Management Strategy is reviewed annually and this report details the outcome of that review.

It is proposed that the Council's risk appetite and supporting statements remain unchanged. Similarly, it is also proposed that the risk assessment model and the scales against which likelihood and impact are evaluated, should also be unchanged.

The risk register requires all risk to be assigned a risk level – either a Corporate or Operational risk. In general, Corporate risks are likely to affect the medium to longer term priorities/objectives of the Council and require to be addressed over an extended period. Operational risks tend to those encountered by Managers in the day to day running of their services, have a more immediate impact and require to be treated in a shorter time frame.

Risks are also required to be allocated to one of 13 risk areas. The risk areas provide a framework for identifying and categorising the risks faced by the Council. Upon choosing the risk area, due to the current parameters within the risk management software, the risk is automatically assigned to either the Corporate or Operational level.

Experience has shown that most of the 13 risk areas, fall naturally into one of the two levels. Some risks however may sit within either level but the current Strategy means that the Manager is currently unable to allocate the risk to the level they feel is appropriate.

The Strategy now allows Managers to choose, within parameters, whether a risk sits under the Corporate or Operational heading. Changes will be required to the risk management software to accommodate this, but these can be easily and quickly made. All current risks will then be reviewed and reallocated if necessary to the appropriate level.

In addition, the detailed descriptions that support the 13 risk areas have been removed from the Strategy. They will be made available for Managers via the risk

management intranet pages.

The other changes to the Strategy are minor in nature. The tasks allocated to the former Officer Risk Governance Group have been allocated to Management Team as the Risk Governance Group has been disbanded.

Recommendation:

That the Cabinet approve the Risk Management Strategy.

1. PURPOSE OF THE REPORT

- 1.1 The Risk Management Strategy (RMS) is reviewed on an annual basis.
- 1.2 This report details the outcome of the review of the RMS and requests Cabinet to approve a revised RSM.

2. ANALYSIS

- 2.1 No changes are being proposed to either the Council's risk appetite statements or the risk assessment model. Risk appetite was fundamentally reviewed in 2015 and remains appropriate.
- 2.2 The definitions used to judge both the likelihood and impact scores have been reviewed. Particular attention has been paid to the financial impact of risks. The Head of Resources has considered whether or not the financial impacts should be adjusted but has concluded that against a reducing budget, the individual limits within each of the five impact ranks remain applicable.
- 2.3 A number of changes are being proposed to the RMS. The most significant being the removal of the automatic allocation of a risk to either the Corporate or Operational risk level.
- 2.4 The 2003 RMS first introduced the concept of classifying risks at either the Corporate or Operational level. At the same time, using a set of criteria devised by the Accounts Commission for Scotland, a process was introduced by which a risk had also to be allocated to a specific risk area, as shown below.

Risk Level	<u>Corporate</u>	<u>Operational</u>
Risk Area	Competitive	Contractual
	Customer	Environmental
	Economic	Financial
	Environment	Information
	Legislative	Legal
	Political	Physical
	Social	Professional
	Technological	Technology

- 2.5 Over the last 12 months, as the Senior Management Team have reviewed their own risks and undertaken a peer review of their colleagues risk entries, the classification of risks has been challenged. In some areas, Managers would have liked some risks to be classified at the Corporate level, rather than Operational, or vice-versa. The only way that this can currently be done is to assign the risk against an incorrect risk area. It is proposed that the link between the risk level and the risk area be broken.
- 2.6 Removing the link will allow Managers free reign to decide if a risk should be at the Corporate or Operational level. Overall, this change is expected to see a reduction in the number of Corporate risks which will allow both the Corporate Management Team (CMT) and Cabinet to focus on these more strategic risks. As a consequence of this change, the risk areas have been reviewed and reduced from the current number of 16 to 13 by the amalgamation of the environmental and environment, legislative and legal and technological and technology areas. The risk management software will be amended to reflect this change. This will be done in-house without the need to involve the software supplier.

- 2.7 The risk area definitions have also been removed from the RMS. They will be available for Managers to review via the risk management intranet pages.
- 2.8 The other changes to the RMS are minor in nature. With CMT agreeing to make all the Officer Governance Groups responsible for managing risk, the two tasks assigned to the former Officer Risk Governance Group - (1) to develop the culture of risk management throughout the Council and (2) to identify and resolve any risks associated with compliance with the Council's agreed rules, procedures and processes have been allocated to the Management Team. In practice they will be delivered through the Officer Governance Groups.

3. COMMENTS OF OVERVIEW & SCRUTINY

- 3.1 The Panel considered the Risk Strategy and thought that there should be a mechanism to allow Members to highlight risks that they have identified and include them on the risk register.
- 3.2 Members want to highlight that they believe it is imperative that the Council interacts with other Local Authorities to assist in the identification of risks.

4. WHAT ACTIONS WILL BE TAKEN?

- 4.1 The change to the risk management software will be introduced by the 30 September. Managers will be required to review their risk entries and reallocated them as appropriate. The Internal Audit & Risk Manager reviews the risk register regularly and will ensure that all risks have been reviewed.

5. LINK TO THE CORPORATE PLAN

- 5.1 Effective risk management is integral to the delivery of the Corporate Plan. It supports sound decision making through a robust assessment of risks and opportunities.

6. REASONS FOR THE RECOMMENDED DECISIONS

- 6.1 The Cabinet are required by the RMS to determine the Council's risk appetite annually. Allowing Managers to decide if a risk should be classed at the Corporate or Operation risk level will improve risk reporting and oversight by omitting from the Corporate risk register those risks that are considered operational in nature and so allow both CMT and Cabinet to focus on significant, strategic Corporate risks.

7. LIST OF APPENDICES INCLUDED

- 7.1 Appendix 1 – Risk Management Strategy

BACKGROUND PAPERS

None

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