

Audit Committee

21st September 2017



Report of: Director of Finance

Title: **Risk Management Policy**

Ward: Citywide

Officers Presenting Report: Jonathan Idle, Chief Internal Auditor (Interim) and Alison Mullis, Head of Internal Audit

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Recommendation

The Audit Committee review and endorse the draft Risk Management Policy attached as Appendix 1 to this report and recommend it for approval by Cabinet.

Summary

This report presents a refreshed Risk Management Policy aimed at delivering improvements in the current approach to Risk Management within the Council.

The significant issues in the report are:

- The refreshed Risk Management Policy (attached at Appendix 1)
- Details of the key amendments to the Council's approach to risk management (Paragraph 3)



Policy

The Audit & Accounts Regulations 2015 require the Council to have effective arrangements for the management of risk and each year, in the Council's Annual Governance Statement, the Council is required to comment on the effectiveness of its arrangements in this regard. The statement must also identify any significant governance issues that may have resulted from failures in governance and risk management.

The Audit Committee's Terms of Reference includes providing independent assurance to Full Council in relation to the effectiveness of the risk management framework and overseeing the risk management strategy.

Consultation

1. Internal

Interim Chief Internal Auditor, S151 Officer, Strategic Leadership Team, Service Director for Legal and Democratic Services, the Mayor and the Cabinet Member for Finance, Governance & Performance, Audit Committee.

Two officer workshops were held to trial the new guidance and Risk Matrix.

External

Research was undertaken looking at how risk is managed by other authorities, and the good practice promoted by various bodies:

- ALARM: Risk Excellence.
- Institute of Risk Management (IRM).
- Local Government Information Unit (LGIU).
- GovUK.

2. Context

- 2.1 The Council has had a risk management policy in place for several years which is reviewed periodically. The policy was last reviewed and approved by Audit Committee in January 2016. The Policy has now been refreshed again. Its purpose is to set out the Council's approach to and arrangements for effective risk management.

3. Risk Management Policy – Key Amendments

- 3.1 Areas highlighted in yellow in the attached draft policy represent key changes to the policy. They include:
- 3.2 An introduction at the start of the policy, endorsed by the Cabinet, Mayor and Strategic Leadership Team, strengthens messages to Members and officers regarding the importance of risk management in achievement of the Councils objectives, its legal basis and how it links to the assurances required for the statutorily required Annual Governance Statement.
- 3.3 Clarity over how the Council's risk tolerance is identified for endorsement of that approach by Members and senior management at the Council. The policy has been strengthened to provide fuller guidance on how risk tolerance is dealt with setting out an approach of escalation to ensure that officers deliver services within the Council's risk tolerance.

- 3.4 Arrangements for the review and scrutiny of the Corporate and Directorate risk registers have been reviewed to reflect the need for more active Member involvement in corporate risk management. The Policy now suggests that the Corporate Risk Register (CRR) is considered by Cabinet on a quarterly basis and is subject to the call in procedure following Cabinet. Directorate risks registers will no longer be subject to formal Member scrutiny. Instead, risks will escalate to the Corporate Risk Register as appropriate. Additionally, Cabinet Members will be sighted on risks and issues affecting their portfolio area from the Corporate and Directorate Risk Registers. The Audit Committee will continue to receive and review the CRR twice annually and will receive an overview of the effectiveness of the risk management processes annually to provide the relevant assurance that the whole process is working effectively.
- 3.5 The definition of a ‘Corporate Risk’ has been revisited and amended to clarify that the CRR should contain risks with a risk score of 14 or above on the risk matrix.
- 3.6 The risk matrix has been revised. The previous 6 x 4 matrix has been replaced by a more straight forward 4 x 4 matrix and the ‘emotive’ language (eg catastrophic impact) used in assessing the risk levels has been removed. Previously, using such wording in the risk assessment methodology was found to be distracting rather than value adding and was not consistent with the language used by partners.
- 3.7 The guidance to assessing risk using the risk matrix has been reviewed. Officer experts have been consulted in respect of measuring the severity of impact and their comments included in the guidance at Appendix A to the policy. This guidance is critical as the severity of impact parameters effectively contribute to setting the risk tolerance /acceptable risk level.
- 3.8 A standard risk register template has been developed which provides consistency in capturing risk information and information to enhance accountability and the audit trail for each risk.
- 3.9 The policy has been amended to include management of risks that have occurred and resulted in significant ‘issues’ for the Council or its services. Additionally, clarity is also given between negative risk, that poses a threat to the organisation, and positive risks that offer a potential opportunity and how each are prioritised and managed.
- 3.10 Roles and responsibilities have been amended to reflect the changes included in the policy.

4. Next Steps:

- 4.1 Once the policy is approved, communication of the requirements to managers and Members will need to take place so all are clear on expectations on them. This will be managed through briefings and targeted training where necessary.
- 4.2 Consideration is currently being given to resourcing the facilitation of risk and managing the escalation processes in line with the Policy.

Proposal

5. The Audit Committee review and endorse the draft Risk Management Policy attached as Appendix 1 to this report and recommend it for approval by Cabinet.

Other Options Considered

6. None necessary, the Policy builds on the work that already takes place within the City Council and is consistent with principles for good governance, and fulfils the legal obligations that apply.

Risk Assessment

7. The Risk Management Policy will further develop risk management within the City Council, and improve its management.

8. Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.
- 8b) No equalities assessment necessary for this report.

Legal and Resource Implications:

Legal - N/A

Financial – N/A

Land – N/A

Personnel – N/A

Appendices:

- Appendix 1 - Risk Management Policy

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Risk Management Strategy

Corporate Risk Register