

RISK MANAGEMENT OVERVIEW

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides an update in relation to the undernoted risk management areas of activity.
- Strategic Risk Register
 - Risk Appetite
 - Operational Risk Registers
 - CIPFA Benchmarking
 - Annual Assurance Statement review
 - Annual review of Policy, Strategy and Guidance.
 - Risk Management Action Plan
- 1.3 Overall Argyll and Bute's risk management activity is assessed as "embedded and integrated" which is defined as "A framework of risk management processes in place and used to support service delivery".
- 1.4 Risk Management processes and protocols continue to improve and development is on-going. Specific work for 2015/2016 is targeted at the development of a shared risk register in respect of the Health and Social Care Integration project.
- 1.5 Operational Risk information is evidenced as being reviewed and updated. A number of red risks are showing within individual registers, however, mitigating plans and actions are in place to address these. A review of red risk information will take place over the autumn /winter period with findings reported February 2016.
- 1.6 Risk Assurance Statements, Risk Profile data and CIPFA Benchmarking analysis demonstrate consistency of approach in respect of risk management activity.
- 1.7 Risk Appetite work is on-going and a draft General Statement of appetite has been developed together with suggested tolerance levels for each of the strategic risks.
- 1.8 A risk management action plan is in place for 2015/16 which outlines a number of key actions.
- 1.9 Audit Committee is requested to note the continued good progress in respect of integrating and embedding risk management.

RISK MANAGEMENT OVERVIEW

2.0 INTRODUCTION

- 2.1 This report sets out a summary of the progress and key issues / developments in relation to risk management and key related activities.

3.0 RECOMMENDATIONS

- 3.1 Members are requested to note the content of the report and further note the continued good progress in respect of integrating and embedding risk management.

4.0 DETAIL

Strategic Risk Register (SRR)

- 4.1 The SRR is continuously monitored; however, it is subject to a formal bi-annual review in August and February in line with Service Planning and Budget Setting processes.

The process for reviewing the SRR is outlined below:

- Designated risk owner to update on an ongoing basis in consultation with appropriate chief officers, service managers and policy leads.
 - SMT to review progress /update report.
 - Performance Review and Scrutiny Committee to consider progress/ update reports.
 - Policy and Resources Committee to consider progress/update reports
- 4.2 Risk owners were requested to review risk information, liaise with policy leads and provide commentary and/or detail of any amendments to the Risk officer. The Strategic Risk Register has been updated accordingly.
- 4.3 The Strategic Risk Register now shows indicative Appetite levels. Risk Appetite is about how much risk the organisation is willing to accept. It is not a single, fixed concept and there can be a range of appetites for different risks and these appetites may well vary over time. Risk appetite is about what the authority wants to do and how it goes about it. An authority must be flexible and keep the basic precept in mind that risk appetite can and will change over time.

A basic outline process in agreeing risk appetite levels is set below and has five key stages:

- Agreeing overall appetite level: What is acceptable?
- Agreeing individual risk tolerance levels and trigger or escalation points together with any intervention actions
- Cascading: Raising awareness within organisation of the planned direction of travel with key stakeholders
- Reporting: Ensure active monitoring protocols in place
- Review: Agreeing appropriate periodic review of appetite levels in line with reporting schedules

4.4 Indicative appetite levels are underpinned by an appetite matrix starting at Risk Averse through to Risk Hungry. This matrix details a range of actions and behaviors associated with each appetite level and is shown at appendix 1. In line with Institute of risk management thinking, appetite is generally lower than tolerance levels. Appetite levels have been discussed with the Chief Executive, Executive Directors and Head of Strategic Finance.

4.5 Stage 2 of the 5 stage approach requires tolerance levels to be agreed. Tolerance levels are simply the trigger points at which a form or intervention or escalation is deemed appropriate. Tolerance levels are generally above an organisation's appetite level. Whilst the appetite for a particular risk may be low, public sector authorities are often limited by legal or regulatory requirements meaning a higher tolerance is necessary.

4.6 It is suggested that there are 2 risks on the SRR which are scoring above indicative tolerance levels. These are Risk number 1, Population and Economic Decline and risk number 7 Health and Social Care Integration where current scoring exceeds indicative tolerance levels. These risks together with mitigating actions require active management as per the Council's agreed risk management policy and interventions include Prioritisation or redirection of resources, Prioritisation of mitigations and defined action plans. This is not saying that further intervention is required, it is reflecting current active management in respect of these risks.

Cascading, Reporting and Reviewing arrangements are supported by a detailed guidance document and an agreed review timetable.

The strategic risk register is shown in appendix 2.

Risk Appetite Statement:

4.7 A draft risk appetite statement has been prepared and an extract is shown below with the full statement detailed in appendix 3.

4.8 In terms of both Strategic and Operational Risk, the Council, like many public sector organisations has an overall Cautious (Low) appetite for risk although there are areas where a more Open (Medium) appetite can be evidenced.

The Council faces a broad range of risks which are reflective of its aims, objectives and responsibilities in the public sector. Risks identified cover subject matters such as financial stability, Demography, Economy, Environmental and Infrastructure, as well as its day-to-day operational activities.

The Council is exposed to a number of risks which are outside its direct ability to control or fully influence. It actively pursues policies which in some part contribute to mitigating the likelihood or impact thus reducing any potential threat.

Resources are aligned to priorities and arrangements are in place to monitor and mitigate risks to acceptable levels. Whilst appetite may be Cautious (Low), tolerance levels may be higher and the Council recognises that it is not possible or necessarily desirable to eliminate some of the risks inherent in its activities. In some instances acceptance of risk within the public sector is necessary due to the nature of services, constraints within operating environment and a limited ability to directly influence where risks are shared across sectors.

Operational Risks

- 4.9 ORRs were subject to major review during 2013-14 and a further review as part of the 14/15 service planning exercise. Risk owners are responsible for ensuring that risk information is current and as such are reviewed on a live basis with quarterly scorecard reporting and six monthly updates to SMT.
- 4.10 The Council has agreed a demand and supply approach to operational risk identification.
- 4.11 Demand risks represent the key challenges facing the Council. These are driven /imposed externally through others having demands, expectations or obligations for the Council to meet and are directly linked to service outcomes.
- 4.12 Supply risks are defined as the risks related to how we plan, organise and deliver our services to meet our demand risks. To ensure consistency of approach across services, supply risks are categorised into areas such as Human Resources, Finance, Assets, Information etc.
- 4.13 The Demand and Supply approach ensures operational risks are linked to planned activity and outcomes, however, services do have the opportunity to introduce Topical risks where required. During 14/15 services did not identify any additional topical risk areas.
- 4.14 Services have identified approximately 450 individual risks, 20% being demand (outcome) related, 80% being supply type risk.
- 4.15 Approximately 40 red risks have been identified within services with some 70% of these being identified within people focused service areas such as Education, Children and Families and Adult Services. Red risk profile ranges from 0% within lower risk services such as Governance and Law to 27% with Education services.

Table 1: Number of Red Risk as a % of number of service risks identified.

Service	No of Risks	Red No & %
Strategic Finance	21	2 (10%)
Adult Care	40	6 (15%)
Children and Families	54	9 (17%)
Community and Culture	52	1 (2%)
Education	51	14 (27%)
Customer and Support	45	0
Facility Services	40	2 (5%)
Governance & Law	59	0
Improvement & HR	51	1 (2%)
Economic Development	37	2 (5%)
Planning & Regulatory	70	0
Roads and Amenity	62	4 (6%)

- 4.16 The overall operational risk profile has remained constant during 14/15 with minimal change to average scoring and risk content. A review of the individual ORRs shows that although overall profile has remained constant, updates are being made; however, these do not necessarily impact on the overall risk score /profile. It was evidenced that mitigation plans and actions have been updated and remain current. Risk owners have confirmed via annual risk assurance statements that risks are relevant to their service and further confirmed that mitigation plans and actions have been identified. Risk profile averages for 14/15 and 15/16 (to date) are shown in Table 2.

Table 2.

Department	Average Demand Risk Profile 14/15	Average Demand Risk Profile 15/16	Average Supply Risk Profile 14/15	Average Supply Risk Profile 15/16
Chief Executives	Amber 8	Amber 9	Amber 8	Amber 8
Community Services	Amber 9	Amber 10	Amber 9	Amber 9
Customer Service	Amber 6	Amber 6	Amber 6	Amber 6
Development & Infrastructure	Amber 8	Amber 8	Amber 7	Amber 7

Strategic Risk Group

- 4.17 The work of the SRG, i.e. Risk Management, Health and Safety, Business Continuity and Civil Contingencies are now standing items on SMT business agenda with progress reports submitted on a minimal 6 monthly basis.

In respect of Risk Management Activity, SMT consider reviews of SRR and ORRs, results of CIPFA benchmarking, updates to risk management policy and guidance together with progress reports on developmental issues.

Risk Management Benchmarking

- 4.18 The Council is a member of the CIPFA Risk Management Benchmarking Club. The results of the 2014 exercise highlights continued improvement with an overall rating of Embedded and Integrated. Two themes have been identified for improvement, i.e. Outcomes & Delivery and Partnership and Shared Resources. Any recommended actions arising from this exercise are incorporated into the Risk Management Action plan.

Risk Management Action Plan

- 4.19 An improvement plan (Risk Management Action Plan) is maintained. This includes the key issues identified from the risk CIPFA benchmarking report and any areas targeted for improvement and further development. The Risk Management Action Plan is shown at Appendix 4.

Annual Risk Assurance Statements

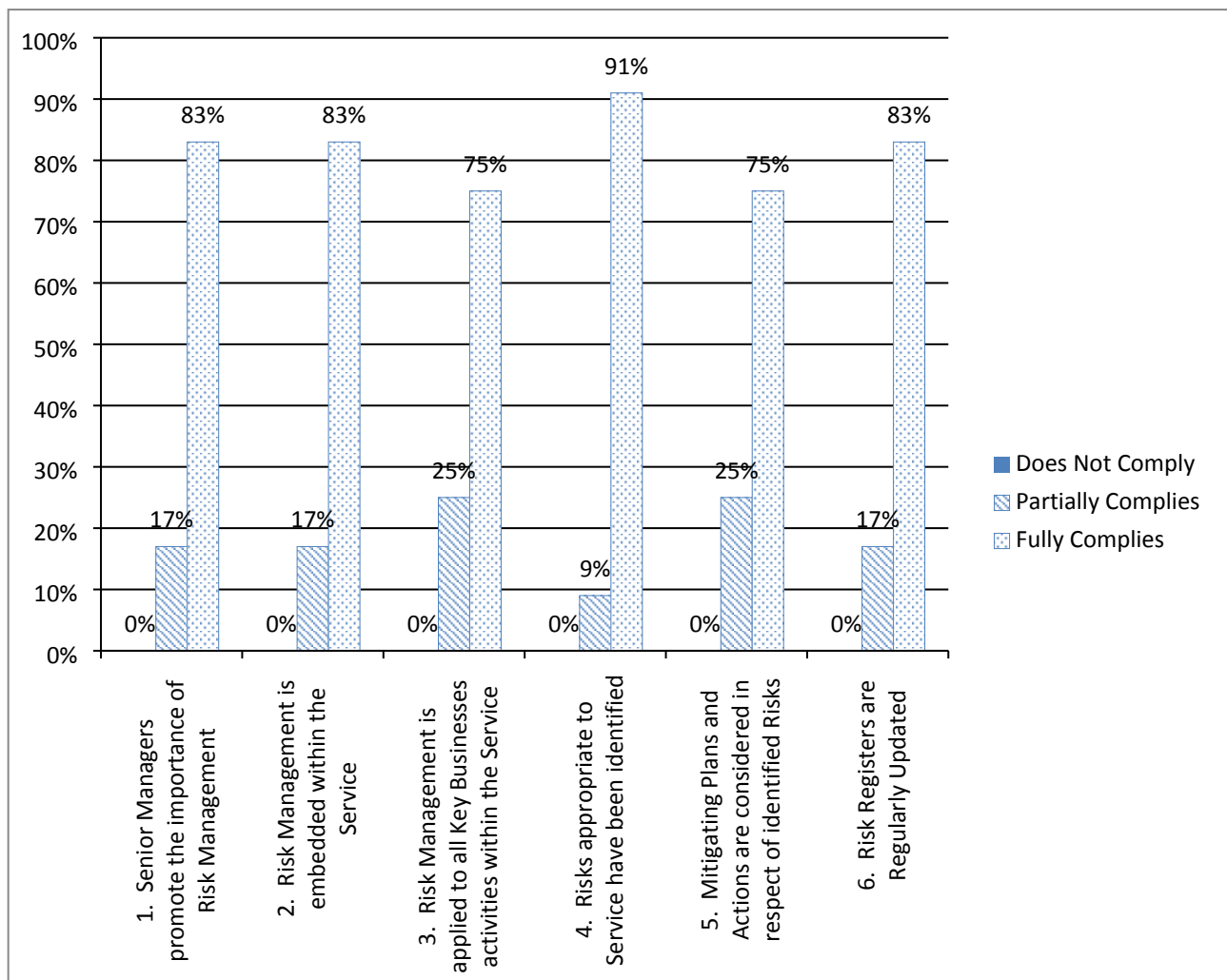
- 4.20 Annual Risk Assurance statements are completed as part of our Risk Management Policy.

The risk assurance statements are based on the following:

- Senior managers promote the importance of risk management.
- Risk management is embedded within the service.
- Risk management is applied to all key business activities within the service.
- Mitigating plans and actions are considered in respect of identified risks.
- Risk registers are regularly updated

Heads of Service are requested to indicate whether they fell into one of three categories, non –compliance, partial compliance or full compliance for each of the statements. Heads of Service are further requested to evidence their selection and where appropriate give further detail of actions to be taken.

An analysis of the 2014/15 returns is shown in the chart below. There are zero instances of non-compliance and it was evidenced that risk management is embedded within service activity although some improvements are required in order to ensure full compliance.



Annual Review of Policy Strategy and Guidance.

- 4.21 Risk Management protocols stipulate that an annual review of our Risk Management Policy, Strategy and Guidance is required.

Both Risk Management Policy and Strategy documents have been reviewed and are deemed current and fit for purpose. Risk Management Guidance has also been updated in respect of revised governance and reporting arrangements. Documentation has also been updated to include reference to Risk Appetite and Risk Tolerance.

5.0 CONCLUSION

- 5.1 Overall risk management activity is assessed as “embedded and integrated” which is defined as “*A framework of risk management processes in place and used to support service delivery*”. Risk Management processes and protocols continue to improve and development work is on-going. A risk management action plan is in place for 2015/16.

6.0 IMPLICATIONS

- 6.1 Policy – Inclusion of Risk Appetite and Risk Tolerance further enhances Risk Management Activity.
- 6.2 Financial – None. Report is for noting
- 6.3 Legal – None. Report is for noting
- 6.4 HR – None. Report is for noting
- 6.5 Equalities– None. Report is for noting
- 6.6 Risk– None. Report is for noting
- 6.7 Customer Service– None. Report is for noting

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APPENDICES

1. Appetite Matrix
2. Strategic Risk Register
3. Risk Appetite Statement
4. Risk Management Action Plan 15/16