ARGYLL AND BUTE COUNCIL	**AUDIT COMMITTEE**
STRATEGIC FINANCE	**02 DECEMBER 2016**

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
- Operational Risk Registers
- CIPFA Benchmarking
- Annual Assurance Statement review
- Annual review of Policy, Strategy and Guidance.
- Risk Management Action Plan

1.2   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".

1.3   Risk Management processes and protocols are in place and continue to mature. Previous targeted work in respect of contributing to the development of an IJB risk management strategy was completed during the year. Further work is required in respect of developing shared risk arrangements. This will be undertaken upon completion of risk assurance mapping activity.

1.4   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 revised service planning process is due to be implemented which may impact on our current operational risk management approach. The committee should take assurance that regardless of any changes, the revised process will allow for risks which are relevant to service delivery to be identified, assessed and mitigated against.

1.5   Risk Assurance Statements, Risk Profile data and CIPFA Benchmarking analysis demonstrate consistency of approach in respect of risk management activity.

1.6   Strategic Risk Register will be reviewed in line with the Budget Setting timetable.

1.7   An updated risk management action plan will be in place for 2017/18 which outlines a number of key actions.

1.8   Audit Committee is requested to note the continued progress in respect of integrating and embedding risk management.

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 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 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 was reviewed and agreed by Policy and Resources committee at its August meeting. During the forth-coming year it is planned to undertake a challenge activity in respect of the mitigating actions and their impact.

4.4   The SRR shows 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 1.

Operational Risks

4.5 ORRs are currently subject to a detailed review as part of the 2016/2017 service planning exercise. Risk owners are and will remain responsible for ensuring that risk information is current and as such are reviewed on a live basis with regular scorecard reporting and updates to SMT.

4.6 We currently operate demand and supply approach to operational risk identification.

4.7 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.

4.8 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.

4.9 It is envisaged that the principles of this approach will remain however as the Council develops it's service planning approach, which will involve a redesign and perhaps a consolidation of existing outcomes, our risk management approach may require to be adjusted. Our aim will be to ensure operational risks are linked to planned activity and outcomes, with the opportunity to introduce Topical risks where required. During 15/16 services did not identify any additional topical risk areas.

4.10 Services have currently identified in excess of 350 individual risks, approximately 20% being demand (outcome) related, 80% being supply type risk.

4.11 Previously a high proportion (70%) of our red risks was identified within people focused service areas such as Education, Children and Families and Adult Services. This number has reduced in numerical terms however this it should be noted that this does not represent a reduction in the category and is a consequence of Children and Families and Adult Services no longer being included in our figures as these service areas are now subject to Health and Social Care Partnership Risk management protocols. I am satisfied that the approach agreed by the IJB allows for the identification and mitigation of risks. This approach is likely to be further refined as the partnership matures.

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%)
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%)

4.12 The overall operational risk profile has remained constant during 15/16 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 15/16 and 16/17 (to date) are shown in Table below.

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

Risk Management Benchmarking

4.13 The Council is a member of the CIPFA Risk Management Benchmarking Club. The results of the 2015 exercise highlights continued improvement with an overall rating of Embedded and Integrated. The exercise identified that share resources is an area which requires improvement, recommended actions arising from this exercise are incorporated into the Risk Management Action plan.

Risk Management Action Plan

4.14 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 2.

Annual Risk Assurance Statements

4.15 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.

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.

4.16   Risk Management protocols stipulate than 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. The Policy and guidance will be updated to reflect any changes arising from the revised service planning process. An independent review of the Council's risk management arrangements is also included in the annual audit plan and provides a level of assurance that arrangements are operating satisfactory. Management will ensure agreed actions are acted upon.

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 2016/17.

6.0   IMPLICATIONS

6.1   Policy – Policy will be updated to reflect revised service planning process.

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

KIRSTY FLANAGAN
02 December 2016

For further information contact: Kevin Anderson, Chief Internal Auditor 01369 708505

APPENDICES
1. Strategic Risk Register
2. Risk Management Action Plan 16/17