

## Corporate Risk Management

### Annual Report 2018/19

#### Background

1. Risk management is “the identification, analysis and economic control of opportunities and risks that challenge the assets, reputation and objectives of an organisation.”
2. Risk management enables the Council to effectively manage strategic decision making, service planning and delivery both to safeguard the well being of its stakeholders and increase the likelihood of achieving objectives. The aim is to manage risks that cannot be economically eliminated or transferred.
3. Effective risk management, which is integrated into policies and procedures, is an essential element of a sound internal control system and therefore necessary if the Council is to demonstrate that it has good systems of Corporate Governance. It also provides evidence to inform the Annual Governance Statement, which is reviewed annually and accompanies the Statement of Accounts.

#### Current Position

4. The structures and processes, which are employed within the Council to manage risk, are described below.
5. The Chief Executive and the Corporate Management Team are essential to the embedding of risk management within the Council by promoting a culture of risk management being practised throughout the organisation as an integral part of normal activities and fostering the sharing of best practice between Groups and Services.
6. Under the Council's Constitution, The Strategic Director, Corporate Resources has responsibility for Risk Management, and the key rules in relation to Risk Management are set out in Financial Regulation 17.
7. Strategic and Service Directors who have ownership for the management of operational risks which impact on their Service(s), are required to incorporate risk management principles into the service planning process and ensure that the risk management process is embedded in all operations, major projects, partnership working, arrangements with key suppliers and change management initiatives.
8. All managers are required to understand risk and its potential impact on the achievement of the Council's targets and objectives and be able to anticipate, assess and manage risks that relate to their areas of responsibility.
9. The Deputy Strategic Director, Corporate Finance provides both strategic support to the Strategic Director, Corporate Resources on risk management issues and operational guidance to the Risk Management Team, which fulfils the

role of the Corporate Risk Management function in the delivery of Corporate Risk Management objectives.

10. The role of the Corporate Risk Management function is to:
  - Formulate strategies to manage the corporate risk process;
  - Develop, implement, monitor and review an action plan to minimise corporate strategic risks;
  - Support and develop Service Risk Management Co-ordinators through the Corporate Risk and Resilience Group;
  - Co-ordinate risk management and business continuity planning activity through the Corporate Risk and Resilience Group;
  - Review Service risk management action plans for relevance and consistency;
  - Monitor implementation of Service risk management plans;
  - Report to the Audit and Standards Committee, and
  - Co-ordinate risk management activity, ensuring that it is joined up with business continuity management, emergency and resilience planning.
11. The Corporate Risk Management Team, which is an integral part of the Council's Corporate Resources Group, co-ordinates risk management activity and delivers technical support, advice, guidance and training to all Groups and Services either directly or via Service Risk Management Co-ordinators.
12. Each Group has a Risk Co-ordinator. The role of the Group Risk Co-ordinator is to act as a risk management champion within the Group, providing guidance and support to service managers in the administration of risk management activities in addition to acting as the channel of communication between the Corporate Risk Management function and the Group Management Team.
13. The principal forum for risk management development is the Corporate Risk and Resilience Group, which consists of the Corporate Risk Management Team, Group Risk Co-ordinators and a representative of the Council's Emergency and Resilience Planning, IT and Health & Safety functions.
14. The role of the Corporate Risk and Resilience Group with regards to risk management is to:
  - Engage with Strategic Groups in relation to risk management and resilience to ensure it is consistently updated and embedded throughout the Council and within governance arrangements.
  - Identify opportunities for improvements and best practice in relation to risk management and resilience.
  - Co-ordinate and oversee the implementation and embedding of identified changes and improvements.
15. The Council's Internal Audit Service assists in the risk management process by reviewing risk management systems and verifying compliance by Services direct to the Strategic Director, Corporate Resources and the Audit and Standards Committee. In addition, risks are identified in the execution of the annual audit plan, which are fed in to the relevant risk action plans.
16. The Corporate Risk Management structure is set out in diagrammatical form at Appendix 2.

## **Major Developments in 2018/19**

17. As part of the ongoing work to refresh the operational risk management framework revised guidance was circulated to Service Directors and Service Risk Coordinators, supported where requested by the Corporate Risk Management Team. Aligning operational risk management to Service objectives will assist with focussing risk management activity on Council priorities and achievement of key outcomes.
18. The fulfilment of the Council's responsibilities under the Civil Contingencies Act 2004 requires that the organisation has a sound business continuity planning framework at the heart of which is the Business Continuity Planning Policy approved by Council in October 2008. The existing Policy was reviewed and approved by Cabinet in June 2013 and updated in 2018/19 to reflect organisational changes. The Business Continuity Plan template, scoring assessment and the service impact assessments were all reviewed and updated this year to ensure CIPFA best practice recommendations are incorporated within Council processes. These new templates were used in the annual review.
19. In November 2018 Cabinet and Council approved a revised Strategic Risk Register which had been presented to Audit and Standards Committee on 1 October 2018. As part of the iterative nature of the Register, risk owners are asked to provide updates as part of the quarterly reviews which are reported to Committee as part of the quarterly updates. The latest Strategic Risk Register can be seen in Appendix 3.
20. Corporate Management Team agreed to a review of all critical IT systems to enable the Council to corporately identify priority systems for recovery in the event of a system failure/disruption. As part of this work, all Service Directors, in their capacity as Information Asset and Business System Owners were asked to complete a template to prioritise key systems and software applications within their Service. This included information regarding the length of time that the Service could operate without the systems being available and how frequently data would need to be backed-up. Since then, colleagues within IT have worked across the Council to ensure all systems had been captured. The critical systems list will be cross referenced against Business Continuity Plans to ensure consistency and to assist the prioritising of all critical systems onto a corporate priority list.
21. The Audit and Standards Committee have received quarterly risk management reports and risk management training is available for councillors.
22. Corporate Risk Management officers will continue to participate in benchmarking on a national basis through the ALARM/CIPFA Risk Management Benchmarking Club.

## **How well has the Council managed Risk?**

23. The overall risk management structure which is reviewed annually, as outlined in paragraphs 4 to 16 and shown at Appendix 2, provides a joined-up approach to the identification, assessment, mitigation and management of the numerous risks which could threaten the achievement of the Council's policy objectives.

24. Progress has been made against the risk management developmental objectives for 2018/19 identified in the Corporate Risk Management Annual Report 2017/18 as shown at Appendix 4.
25. The Council has in place a formalised ISO 22301 compliant business continuity framework to mitigate key risks for all services and a Corporate Continuity Plan, which can facilitate the prioritisation of action in response to a large scale event without inhibiting any response to Emergency Response Arrangements should the event be related to a civil emergency. This supports the Council's resilience planning to meet the requirements of the Civil Contingences Act 2004.
26. The Council suffered no major service interruptions in 2018/19 which further demonstrates how corporate risk management arrangements support service delivery.
27. The Council participates in the ALARM/CIPFA Risk Management Benchmarking Club and uses the outcome of the performance assessment to further develop risk management performance and enable comparison with other public sector organisations.
28. Membership of the Club provides access to a performance measurement tool designed to test the organisation's performance against the major risk management standards, expectations of inspection bodies and criteria that inform the risk management element of the Annual Governance Statement. The model breaks down risk management activity into seven strands, (leadership & management, policy & strategy, people, partnership & resources, processes, risk handling & assurance and outcomes & delivery) and aims to provide an in-depth picture of the maturity of risk management within the organisation.
29. Scores of levels 1 to 5 are awarded for each strand to identify the level of maturity that the organisation has reached with level 5 being the highest possible score. The categories are as follows:-
- 1 Engaging
  - 2 Happening
  - 3 Working
  - 4 Embedded and Integrated
  - 5 Driving
30. The latest benchmarking results for Gateshead over the seven strands were as follows:-
- |                               |   |                         |
|-------------------------------|---|-------------------------|
| • Leadership and Management   | 4 | Embedded and Integrated |
| • Policy and Strategy         | 4 | Embedded and Integrated |
| • Partnership and Resources   | 5 | Driving                 |
| • People                      | 4 | Embedded and Integrated |
| • Processes                   | 4 | Working                 |
| • Risk Handling and Assurance | 4 | Embedded and Integrated |
| • Outcomes and Delivery       | 3 | Working                 |

31. The Council has maintained the same scores as the last assessment for six of the seven strands, with the score for the Processes strand increasing from 3 (working) to 4 (embedded and integrated).
32. The improved score for the Processes strand reflects work undertaken by Corporate Risk Officers to assist managers with the operational risk management process, which has included the production and circulation of improved guidance to managers.

### **Development Objectives 2019/20**

33. The Corporate Risk Management Team will continue to develop service understanding and the awareness of Risk Management by way of best practice through the Risk and Resilience Group (Risk champions) and directed training on request. This will help embed effective risk management.
34. Work will continue to prioritise Critical IT systems and the links to Critical service functions identified through the revised Business Continuity process.
35. Risk management performance will be assessed by completion of the ALARM/CIPFA benchmarking club indicators.
36. Business Continuity Plans will be updated, enhanced and, where appropriate, formal testing against incident scenarios and best practice requirements will be carried out.
37. The Operational and Strategic Risk Registers will be subject to periodic review for updates and revisions to evidence links to objectives and Thrive agenda.

### **Conclusion**

38. This report outlines the arrangements for managing risk within the Council, their effectiveness and the steps, which are being taken to ensure continuous improvement of the function and minimisation of loss.
39. On the basis of these arrangements and evidence of their operation it can be concluded that arrangements for managing risk within the Council are effective.