CORPORATE RISK MANAGEMENT

ANNUAL REPORT 2015/16

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 able 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 Strategy Group are pivotal in the embedding of risk management 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, (Financial Regulation 16.1), the Strategic Director, Corporate Resources, in consultation with the Chief Executive is responsible for advising the Council on risk management and is therefore responsible for the development, monitoring and review of the Council's Risk Management Policy.

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 Section, 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 Management Team, an integral part of the Council's Corporate Resources Group, both 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 Central Risk Management, Group Risk Co-ordinators and a representative of the Council's Emergency and Resilience Planning, ICT and Health and Safety functions.

14. The role of the Corporate Risk and Resilience Group is to:

    - Support the embedding, maintenance and development of risk management and business continuity planning within the Council;
    - Focus on the management of operational risks and in doing so, play a key role in ensuring that the Council meets the requirements of corporate governance reporting;
    - Supporting Strategy Group in the identification, assessment and management of strategic risks;
    - Identify patterns and share good practice in the management of operational risks between Groups and Services;
    - Support the delivery of the Resilience Action Plan; and
    - Provide a forum for consideration of all risk-based issues and be a vehicle for disseminating all related policy, operational and administrative matters.

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 above structure is set out in diagrammatical form at Appendix 2.

Major Developments in 2015/16

17. The work of the Council's Corporate Risk and Resilience Group has supported the annual review of the Operational Risk Register, which may be used to inform the development of Business Plans. In addition the Group has facilitated the quarterly reviews of the Strategic Risk Register.

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 policy was reviewed during 2012/13 and approved by Cabinet in June 2013.

19. The Council's Strategic Risk Register approved by Cabinet on 29 March 2011, which is used as a platform to identify and manage the risks to achieving key objectives was introduced as the basis for regular reporting to the Audit and Standards Committee on strategic risks. The Strategic Risk Register was reviewed during 2012/13 and reported to Cabinet in May 2013. The register has been subsequently reviewed quarterly and reported to the Audit and Standards Committee on this basis. The current Strategic Risk Register is attached for information at Appendix 3.

20. The year has also seen the continuation of active councillor engagement around risk management, building on the framework introduced in 2006/07 and embedded in the Council's Corporate Risk Management Policy. Councillor John Hamilton has continued in his role as Councillor Risk Champion supporting the Leader of the Council. The Audit and Standards Committee have received quarterly risk management reports and risk management training is available for councillors.

21. These measures have ensured councillor participation and understanding of risk management issues and in so doing, enabled both challenge to the risk management implications of reports for decision making and scrutiny of the Council's risk management framework.

22. The Corporate Risk and Resilience Group has continued to receive updates on Emergency Planning issues which allows a joined-up approach to risk management and resilience planning and acts as a conduit for reporting to Group Management Teams on related issues.

23. Corporate Risk Management staff have continued to participate in the Public Risk Management Association (ALARM) activities, in addition to benchmarking locally with other Tyne and Wear Authorities through the Tyne

and Wear Risk Management Group and on a national basis through the ALARM/CIPFA Risk Management Benchmarking Club.

How well has the Council managed Risk?

24. 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.

25. Progress has been made against the risk management developmental objectives for 2015/16 identified in the Corporate Risk Management Annual Report 2014/15 as shown at Appendix 4.

26. 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.

27. The Council suffered no major service interruptions in 2015/16 which further demonstrates how corporate risk management arrangements support service delivery.

28. 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.

29. 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 and management, policy and strategy, people, partnership and resources, processes, risk handling and assurance and outcomes and delivery) and aims to provide an in-depth picture of the maturity of risk management within the organisation.

30. 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

31. The 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 3 Working
- Risk Handling and Assurance 4 Embedded and Integrated
- Outcomes and Delivery 3 Working

32. Overall the Council achieved good scores for each of the seven strands, with the scores the same as the previous year.

Further Developments 2016/17

33. The proposed developmental objectives are attached at Appendix 5 for consideration.

Conclusion

34. 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.

35. 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.