

# **Audit & Corporate Governance Committee**



Report of Head of Business and Information Systems

**AGENDA ITEM NO 5**

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To: Audit and Corporate Governance Committee

DATE: 5<sup>th</sup> March 2008

## **Risk management update**

### **Purpose of Report**

1. The purpose of this report is to provide the Audit and Corporate Governance Committee with a demonstration on how the council has managed risks in the last year.

### **context**

2. Prior to 2003, the council had a limited approach to risk management focussing mainly on financial risks. With the help of risk management consultants the council has established a risk management approach which has been in place for three years. The approach involves an annual process to identify operational and strategic risks.

### **the process**

3. Representatives (risk champions) from all services carry out risk assessments throughout the year and perform an annual risk review. The annual review involves brainstorming potential risks, and then identifying the likelihood of each occurring, and separately the

consequences of each risk occurring. These are then plotted on a two-dimensional risk matrix, on which a risk tolerance line is drawn according to whether it's considered that risks can be tolerated without further management, or whether they need management. The priority risks that require managing are those above the tolerance line. The risk champions will work with their team to produce risk mitigation action plans for those risks above the tolerance line with the aim of reducing the impact, likelihood or both. All risks are recorded on the risk register.

## **risk analysis**

4. All teams have finished their annual risk assessment for 2007/08. The risk register contains 366 risks in total. Some of these risks are new and some are existing. An assessment was carried out to review how risks have changed since last year and the results are displayed below.

### **Changes in risk ratings**

5. The graph below shows how risks have changed in 2007/08, compared to 2006/07 and 2005/06, in their overall rating. The rating shows the likelihood and impact of the risk.
6. There are 161 risks that have been reduced by either impact or likelihood. This means that the risks are less likely to happen, or if they did, the impact would be less. Only 11 have increased in impact or likelihood. 159 have stayed the same.

### **Changes in risks above the tolerance line**

7. If a risk has a high enough rating (impact and likelihood) so that it has to be positively managed it is 'above the tolerance line'. Risks above the tolerance line require a risk mitigation action plan to manage the risk. The chart below shows the number of risks 'above the tolerance line' this year compared to last.
8. There were 127 risks above the tolerance line in 2005/06, 98 in 2006/07 and 67 in 2008/07. This shows risks have been eliminated or managed sufficiently to take them below the tolerance line. The 67 risks above the tolerance line are either new risks or existing ones with a high impact and/or high probability. The tolerance line has not

moved over the last three years to give comparable year on year figures.

9. An example of a risk that has been managed below the tolerance line is the risk that the council takes an unlawful planning decision because of changes in legislation. The council produced a risk mitigation action plan which managed the risk so that the likelihood has been reduced. The action plan included reorganising the policy section, recruiting new staff who are up to date on planning legislation, and increasing the number of electronic planning documents which are easier to manage.

## **Changes in likelihood and impact of risks**

10. The likelihood of each risk is assessed on a six point scale from 'very high' to 'almost impossible'. More risks have decreased in likelihood rather than increased. This means more risks have been managed so they are less likely to happen. Some examples of risks that have reduced in likelihood are:
  - The likelihood of the risk of the council 'failing to meet equalities duties' has been reduced because the council is focusing on all the strands of equalities such as gender, as well as race and disability. The council has partnered with groups such as the Ethnic Minority and Black Race Action Committee for Enterprise, more equality impact assessments have been carried out in all services, mandatory equalities training has been provided to staff and even extended to Councillors.
  - The likelihood of 'not implementing the sustainable development strategy' has been reduced because actions have been fed into service plans and heads of service have received individual briefing sessions on the importance of the strategy. In future, progress on sustainability actions will be reported in the council's performance management system.
  - The likelihood of Environmental Services' risk of 'poor external communication' has been reduced as they have taken a number of steps to improve communication. For example, by including information in the Town and Parish Digest, carrying out online surveys as part of the waste consultation, putting more information on the website, promoting online services, increased advertising in local press, and partnering with the Waste & Resources Action Programme to provide door to door visits to 20,000 residents in the district.
11. The impact of each risk is assessed on a four point scale, from risks with a catastrophic impact, to risks with only a marginal impact. More risks have decreased in impact rather than increased. An example of one of these risks is the loss of building. Now that the council has a full set of disaster recovery and business continuity plans the impact of loss or damage to the building will be reduced as the council has an arrangement in place for alternative premises to operate from.

## **Risks that no longer exist**

12. There are 130 risks from 2006/07 that no longer exist in 2007/08. The graph below shows how many risks per service have been eliminated.
  
13. Some risks have been mitigated so much that they no longer exist. An example of this is one of Assistant Chief Executive (ACE) team risks. There was a risk involving implementing the Young Peoples Strategy. The council addressed this risk by employing someone to implement the actions from strategy so the risk no longer exists.

## **Risks that haven't changed**

14. There are 159 risks that haven't changed.
  
15. Some core teams such as Legal and Democratic services face the same risks every year. There are also similar risks every year such as 'acts of god'. But they will be reviewed on an annual basis. These risks are managed by monitoring them.

## **New risks**

16. The council has identified 35 new risks in 2007/08. The pie chart below shows the number of new risks by service.
  
17. Examples of new risks are:
  - Environmental Services have carried out risk assessments on new projects such as the smoke free legislation and bird flu advice.
  
  - Planning has included their risk assessment on the restructure of some teams.

- Leisure and Economic Development have carried out risk assessments on new service plan actions, examples are the market town strategy action plan and a report on green spaces.
- Future changes in the climate for the next forty years can be predicted with a reasonable degree of certainty as they are caused by carbon dioxide emissions that have already taken place. These include changes to everyday temperatures and rainfall patterns as well as extreme weather events. Climate change adaptation will affect a wide range of the council's services, for example food safety, planning policies and the countryside team.

## **strategic risks**

18. The council will reappraise its strategic risks in March 2008, an ideal time for a review in the context of the new corporate plan, sustainable community strategy and local area agreement (LAA).
19. This reappraisal of strategic risks will also take account of other factors including:
  - the joint procurement of waste management services
  - other joint working initiatives
  - challenging financial position and the need to make savings without compromising service
20. The council has arranged for a risk management expert to facilitate a corporate strategic risk workshop in March. The aim of the workshop is to identify and analyse the corporate risks that might impact the ability of the council to achieve its objectives in its current environment.
21. The workshop will help to develop action plans that will manage and/or mitigate these risks. The outcome of the strategic risk workshop will be reported to the Audit and Corporate Governance Committee in June 2008.

## **the way forward**

22. The internal audit team is carrying out an audit on risk management which is planned for March/April 2008. The results of the audit and recommendations for improvement will be reported to the Audit and Corporate Governance Committee in June 2008.
23. The current risk management strategy expires in July 2008. Internal audit, the business improvement team, finance and risk champions will work together to review the process and make recommendations for a new strategy. These recommendations will be presented to a future meeting of the committee.

## Conclusion

24. This report shows that although many risks have stayed the same, many have been reduced or eliminated while only a small number have increased. All risks on the register will be reviewed in the next annual process, while for those risks above the tolerance line action plans will ensure they are managed to reduce the impact or likelihood or both, and to ensure the risk doesn't get out of control.
25. This report shows that the council is actively and successfully managing risk at project, service team and corporate levels. We will produce an updated risk register and risk management strategy during the next six months.