Herefordshire Council

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2010
TITLE OF REPORT:	RISK RECOMMENDATIONS IMPLEMENTATION – PROGRESS REPORT
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To note progress on implementing risk recommendations following a report from the interim risk consultant.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT progress on embedding risk management be noted and a further progress report to be received in March 2011.

Key Points Summary

- Embedding risk management.

- Development of Council Assurance Framework.

- Further work required to align the PCT and Council risk management operations via Performance Plus.

Alternative Options

1   None.

Reasons for Recommendations

2   To improve risk management effectiveness.

Further information on the subject of this report is available from
David Powell, Director of Resources on (01432) 393518)

Introduction and Background

3   The Council is obliged to have (and be able to demonstrate) that risk and risk management lies at the heart of its decision making processes.

4   The Deputy Chief Executive commissioned a risk consultant to undertake a review of the Council and NHSH (PCT) existing risk management methodology and links between risk management, governance, assurance and reporting and make recommendations for improved effectiveness.

Key Considerations

5.   Risk embeddedness.

6.   Lack of formal process for risk identification in some Directorates.

7.   Raising awareness of risk management at all levels.

Community Impact

6   None.

Financial Implications

7   None identified in respect of process as nominations to posts made within existing resources. Potential financial costs incurred if external trainers used.

Legal Implications

8   Describes risk and assurance arrangements

Risk Management

9   Describes risk and assurance arrangements

Consultees

10   Councillor Bramer, Deputy Chief Executive, Directors, Senior Managers, Corporate Risk Manager and Directorate Risk leads.

Appendices

A -   Risk Management Recommendations Implementation Template

B -   Council and PCT Hierarchy of Risk Registers

C -   Gilbert George Risk Consultant - (Terms of Reference)

Background Papers

None identified.

Risk Management Review (summary paper)

PREFACE

The Deputy Chief Executive commissioned me to undertake a review of the Council and NHSH (PCT) existing risk management methodology and links between risk management, governance, assurance and reporting (*phase 1 – Terms of Reference Appendix C*) and the wider Council and PCT governance integration including risk management (*phase 2 - Terms of Reference Appendix C*).

Following PCT Board and Councillor Bramer approval on the behalf of the Cabinet of my risk recommendations I have pleasure in submitting my progress report on implementing recommendations *(see appendix A).*

Gilbert George
Risk Consultant

Content

1 Executive Summary

The Council is obliged to have (and be able to demonstrate) that risk and risk management lies at the heart of its decision making processes. Continued embedding of risk management across the whole of the organisation is therefore a critical issue.

Effective risk management is accomplished by maintaining up-to-date, clear and accessible risk registers that are used to help manage risks and to construct an overall assurance framework.

The key feature of the overall approach is to ensure that risk management and reporting is embedded throughout the Council, and that we can demonstrate that ownership takes place at both the corporate level (Cabinet Assurance Framework) and the Corporate Risk Register)) and at a 'local' level (Directorates, Projects, Teams and Individuals) who all own and address risks in their areas of responsibility.

Whilst the Council has in place policies, processes, procedures, directorate risk registers and a corporate risk register, and on paper 'ticks all the boxes' with regards to risk management, my findings relate in the main to concerns of risk embeddedness. There is also a question mark about the capacity of making risk management a dynamic tool to assist the Council in its decision making processes and to be fully able to provide assurance to the Cabinet.

1.1 Findings

Broad issues and concerns:

- Given the Council's transformation agenda and the economic uncertainty going forward, the risk to the organization of such changes and measures taken need to be regularly reported on

- Scrutiny and challenge of risk registers insufficient

- Requirement to have more in depth monitoring and reviewing action plans to mitigate risks and holding risk owners to account

- Council's capacity to implement effective risk management

- Risk management training and organisational risk development to be ignited

- Robustness of scrutiny process for Herefordshire Public Services Partnership risks and ownership

- Need to implement best practice of linking performance and risk management reporting to provide the Cabinet with a holistic overview

- Best practice requires an annual review of corporate governance structure to ensure Cabinet effectiveness and enable the Cabinet to meet its statutory obligations of effective oversight

1.2 Council and PCT Risk Management Alignment

Risk Management integration between the Council and PCT began in 2008 when the Herefordshire Public Services Risk Management and Assurance Policy was approved by both organisations and subsequently updated in 2009. Much good work has been done in implementing the Risk Management Strategy and Guidance by both the Council and PCT but much work remains to embed risk management as a dynamic management tool in both organisations.

1.3 Conclusion

My sense, from having met a number of staff, and reviewed numerous documents is that there is real desire to elevate risk management. Many felt that identifying and evaluating risks in addition to formally reviewing action plans in a more structured way would enhance their ability to achieve their personal and organisational objectives.

My recommendations outline ways of addressing the above and report highlights progress made to date (appendix A - *Council specific recommendations are highlighted bold/italics).*

Gilbert George
Risk Consultant

I have had a number of meetings with external risk Consultant (Gilbert George) and discussed issues and concerns raised in this summary report and fully endorse all recommendations made.

Dean Taylor
Deputy Chief Executive

2   Risk Management Responsibility

Risk is inherent in everything the Council does – determining service priorities, managing projects and programmes. Effective risk management is therefore an essential enabler to allow the Council to meet its strategic and corporate objectives.

The Cabinet is responsible for ensuring that the Council consistently follows the principles of good governance applicable to local authorities through its Assurance Framework and other processes. This includes the development of systems and processes for corporate governance, performance monitoring, financial internal control and risk management.

Cabinet is responsible for:

- approving the risk management strategy and policy
- ensuring that risk information is available to them to support their decision making processes
- participating in the identification and evaluation of risks appropriate to the decisions they are asked to make

The Cabinet should not be involved in actual day-to-day *risk management*. The Chief Executive and Directors should instead, through their risk *oversight* role, satisfy themselves that the risk management processes underpin the Cabinet approved risk strategy and are functioning as directed, and that necessary steps are taken to foster a culture of risk awareness throughout the Council.

The Chief Executive has overall responsibility for the development and implementation of an effective Risk Management system within the Council and for meeting all statutory guidance by the Audit Commission in respect of Governance.

Directors are accountable for the effective management of risks within their respective Directorates and projects under their control, including assurance that appropriate Controls are in place, action plans are owned and progress monitored. They must gain assurances from all managers within their Directorates that they understand the Council's Risk Management Strategy and Guidance and are effectively managing risks for which they are the assigned owners.

3   Risk Register(s):

Cabinet Assurance Framework (CAF)
The Cabinet Assurance Framework will provide a method of gathering information to allow a systematic assessment of risks aligned to the Council's corporate objectives; it is an extension of the Corporate Risk Register. It maps out the key controls, and outlines gaps in controls and assurance; it also provides a structure for the evidence to support the Annual Governance Statement. The Chief Executive is required to sign off this document annually as part of the statutory accounts.

The Cabinet Assurance Framework will be populated by:

- Strategic Objectives risks
- Significant Corporate Risks distilled from corporate risk registers (risks rated 20- 25) or other risks as advised by a Director.
- Risks identified at Cabinet/Subcommittees having being assessed by the nominated Corporate Governance Manager and appropriate Director
- Other risks identified outside formal meetings and assessed by Corporate Risk Manager and Risk Identifier.

CAF review and frequency:

By	Frequency:
Cabinet	Bi monthly
Audit and Governance	Every meeting
JMT	Monthly

Corporate Risk Register

The Corporate Risk Register is one of the elements that underpin the Cabinet's Assurance Framework and provides the basis for the annual governance statement, which the Chief Executive is required to sign-off annually on behalf of the
Cabinet.

The Corporate Risk Register will be populated by:

- Directorate risks that are rated 15 and above with the approval of the Director (risk owner).

Corporate Risk Register review and frequency:

By	Frequency:
Cabinet	Quarterly
Audit and Governance	Every other meeting
JMT	Exception reporting

Directorate(s) risk registers

Directorates are responsible for owning, raising, discussing, assessing, scoring, modifying and updating all risks in their area of business. Risks identified at project, teams and by individuals will be assessed by Directorate risk champions/leads and risk owner to determine escalation to Directorate Risk Register.

Directorate(s) Risk Register review and frequency:

By	Frequency:
Director	Monthly