

Audit & Governance Committee

Working Group Report

Corporate Risk Register (Risk Management)

April 2016 v2

Committee Members:

Councillor FM Norman (Chair)

Councillor PN Newman

Councillor ACR Chappell

Support Officers:

Clive Lloyd

Steve Hodges

Kevin Lloyd

Background papers:

- Scoping document
- Herefordshire Council PROM (the council's current approach to performance, risk and opportunity management)
- Risk management strategies at Shropshire, Gloucestershire and Devon

Introduction

Concerns were raised by Audit & Governance committee members on 24th November 2015 regarding the council's corporate risk management and in particular the operation and development of the risk register. At the Audit & Governance meeting on 26th January 2016 it was agreed that a working group be convened to consider the operation of the corporate risk management process.

In carrying out a review of the elements and process of risk management at Herefordshire Council a best practice benchmarking was undertaken with comparable shire authorities (Shropshire, Gloucestershire and Devon) and consultations on the detailed operation of risk management and the risk register were carried out with Council Officers.

As a result of the review, serious governance concerns were identified with respect to current risk management processes at Herefordshire Council and in making specific recommendations for improvement this working group hopes that significant improvements can be delivered.

Please note that at the meeting of the Audit & Risk Committee on 23rd March it was agreed that the Working Group should examine individual risks, to gain a necessary understanding of the workings of the system, and that example risks are in scope. On that basis, an example of a risk for possible consideration has been included in this report.

As this process of review has continued, we are aware that Officers have themselves recognized the importance of some of the issues which have been identified in this study and are already reviewing operational Council systems as a result. This working group acknowledges and supports this endeavor.

Our sincere thanks go to the Council Officers who supported this working group in its review.

Key findings and recommendations

Findings

The benchmarking study showed very clearly that the reference shire counties we identified all had modern, detailed and comprehensive strategies. In comparison, Herefordshire is working to a document, just 4 pages long, which lacks many elements and explanations included in the reference documents.

This is not simply a matter of presentation. Specifically, all 3 reference strategies place a strong and central governance role on their equivalent Audit Committees:

Shropshire - Audit Committee – “their responsibility is to ensure that there is a robust and efficient risk management process in operation across the Council’s operations.”

Gloucestershire – Audit and Governance Committee – “Provide independent assurance to the Council of the adequacy and effectiveness of the risk management arrangements and associated control environment and receive an annual report on risk management activity.”

Devon – “To ensure that the risk management function receives proper scrutiny the County Council’s Audit Committee receives quarterly progress reports from the Corporate Risk Management Group to monitor the effective development and operation of risk management within the Council.”

In contrast, Herefordshire’s document makes no mention of the Audit and Governance Committee, which is therefore excluded from any governance/scrutiny role. Indeed, according to Herefordshire’s document – ref performance reports – “Cabinet determines whether any matters in the report should be referred to individual scrutiny committees for their consideration.” This determination appears to represent a clear example of the Cabinet “marking its own homework”.

Also, with reference to section 10 of Herefordshire Council’s Constitution, the Audit & Governance Code, section 5.10.5.2 specifies that Herefordshire’s Audit and Governance Committee should “consider the effectiveness of the Council’s risk management arrangements, the control environment and associated counter fraud and corruption arrangements.” Since Herefordshire Council’s PROM document

is silent with respect to the Audit & Governance Committee and the Cabinet determines referral (or not) for scrutiny, it appears to this working group that Herefordshire's Audit and Governance Committee is held to account on risk management by the Constitution (and public), the Committee is frustrated in performing a governance/scrutiny role by its current risk management processes.

In looking at the Risk Register in detail, the working group is mindful that a governance/scrutiny role is essentially non-operational. However, two overall points were apparent in illustrating the operation of the register.

Firstly, the register appears not to have been affected in any way by the adoption in October 2015 of a major new Local Plan Core Strategy, affecting the operational outlook up to 2031 – setting out an overall strategic planning framework for the County, replacing most Unitary Development Plan policies. Surely the risk register should have been significantly affected.

A specific example of the practical adoption of the new Core Strategy, budget and MTFs and a change of emphasis towards housing, industry and roads, might have been an increased risk to tourism (policy E4), which is a vital economic asset for the county - employing nearly 10% of the workforce - over 8,500 - with over 5 million visitors spending £470m pa. A recognition of the risk might have allowed the County to consider policies to mitigating any risk - policies to protect and enhance tourism as an asset in an era of significant change – promoting tourism as Visit Herefordshire loses funding - opposing Fracking in our nationally important landscapes - taking measures to control water quality, to oppose high impact industrial/intensive farming developments in our important landscapes, to generate a tourism strategy to replace the “tourism strategy for Herefordshire, 2010-2015, not expired. The NPPF is a general framework and does not recognize the unique importance of tourism income and asset quality in this county.

Secondly, it is apparent in talking with officers that there is currently no methodology for considering any input on the Corporate Risk Register, with reference to currently identified risks or ideas for new risks, from Scrutiny Committees, or Elected Members or members of the public. In the view of the working group, this is a lost opportunity and a source of considerable frustration. It could also explain the apparent “morbidity” of the register as an important (key) tool in the control of risk.

As a result of the findings above, the working group makes the following recommendations:

Recommendations

- 1) That Herefordshire's PROM document be reviewed, revised and relaunched as a new *strategy*, taking into account best practice research.
- 2) That the new strategy should identify and include a strong element of scrutiny/overview by the Audit and Governance Committee, to allow that Committee to carry out its responsibilities under the constitution.
- 3) That the strategy should include a methodology to allow Scrutiny Committees, or Elected Members or members of the public to query the treatment of risks in the register and to propose risks for consideration.