

North Tyneside Council

Report to Cabinet

Date: 10 June 2013

ITEM 7(a)

Title: Management of Risks across the Council

Portfolio(s): Finance and Resources

Cabinet Member(s): Cllr Ray Glindon

Report from Directorate: Finance and Resources

Report Author: Fiona Rooney, Strategic Director of Finance and Resources Tel: (0191) 643 5724

Wards affected: All

PART 1

1.1 Purpose:

The purpose of this report is to:

- (a) Outline the Authority's Risk Management Framework;
- (b) Explain how risks are currently managed, and how risk information is gathered, reviewed and challenged; and
- (c) Recommend additional stages to be introduced to the Risk Management Framework, to allow Cabinet members to gain greater assurance that robust risk management arrangements are in place within their respective portfolios, and for the authority overall.

1.2 Recommendation(s):

It is recommended that Cabinet agrees that:

- (a) There is a named Cabinet portfolio holder for each risk at all levels in the Council's Risk Management Framework;
- (b) Each Cabinet portfolio holder will receive a copy of all current risk information for their portfolio, alongside a briefing on risk management issues by relevant officers from the Senior Leadership Team (SLT);
- (c) Where risks change, at any level, the relevant SLT officer will inform the named Cabinet portfolio holder, and the Cabinet member for Finance and Resources, as part of regular briefings on the management of the Council's operations;
- (d) Whenever corporate strategic risk management information has been formally updated, an additional review stage will be added to the Risk Management Framework during which the Cabinet member formally reviews, and challenges, the risk owner's account of how the risk is being managed, before review by SLT and Cabinet.

1.3 Forward Plan:

It has not been possible to give 28 days notice of this report, as this was requested at the Cabinet meeting which took place on 20 May 2013.

1.4 Council Plan and Policy Framework

The work of Risk Management supports all service responsibilities as identified within the Council Plan.

1.5 Information:

Background

- 1.5.1 A report covering the Council's Corporate Risk Management arrangements was considered by Cabinet on 20 May 2013. Cabinet requested a further report outlining the current risk management processes in place within the organisation at all levels. Specifically, Cabinet requested information as to how individual Cabinet portfolio holders could gain greater assurance that robust risk management arrangements are in place within their respective portfolios; and whether the current reporting frequencies of risk information were adequate for this purpose.
- 1.5.2 This report sets out information explaining the current risk management approach at corporate, directorate and operational level, and the management of Partnership retained risks. A diagram summarising this Risk Management Framework is shown at **Appendix A**.

Risk Management Framework

- 1.5.3 Risks are managed as part of officers' day to day responsibilities throughout the organisation. Information on this management process is captured centrally for the purposes of reporting in order to provide assurance to the organisation through the Risk Management Framework.
- 1.5.4 Currently, the organisation classifies risks as corporate strategic level, directorate strategic level and directorate operational level. This classification is designed to allow risks to be managed according to their significance, and potential materiality and impact. Corporate strategic risks are, by their nature, exceptional – they may significantly impact on all aspects of the Council's operations, or one area of the Council's work so acutely that they merit being managed at the highest officer level within the Council. Accordingly, all corporate strategic risk have a named 'risk owner' from the Council's Strategic Leadership Team (SLT).
- 1.5.5 Directorate risks are managed at two levels – strategic and operational. Directorate strategic risks are owned by either a Strategic Director or Head of Service. Directorate operational risks are owned by service managers.
- 1.5.6 The Council has strategic partnerships with Balfour Beatty and Capita Symonds, and also Kier North Tyneside. Relevant risk registers have been developed for each partner detailing risks which might impact delivery of the partnerships. Partnership risks are owned by Client Leads or Partnership Managers. To help ensure that the risks are being managed effectively the Senior Risk Advisor meets with all risk owners on a quarterly basis to obtain the latest risk updates and provide challenge. These risks are then

further reviewed and challenged by the relevant Operational / Strategic Partnering Board whose membership includes elected members and senior officers from both the Council and strategic partners.

- 1.5.7 Risks can be identified at any time, by any officer or by any elected member. When risks are identified, they are managed as part of the everyday responsibilities for service delivery, by officers of the Council. Once identified, they are included on the relevant risk register (corporate strategic, directorate strategic, or directorate operational) so that all risk information is captured in a standard format. This enables the consideration and challenge of risks, and contributes to the management of those risks, on a consistent basis.

Risk review process

- 1.5.8 Corporate strategic risks are managed by the named 'risk owner' from SLT (see 1.5.4). This risk owner is responsible for continuously assessing the controls necessary to manage the risk and any changes to the nature of the risk. The risk owner reports formally on this work twice a year to SLT. SLT challenge the account of risk management, the controls in operation or planned, and the risk score (both target and actual) suggested by the risk owner. SLT may agree to amend the risk register if appropriate, following this review. Risks continue to be managed in the intervening periods, in accordance with the agreed controls.
- 1.5.9 Directorate strategic risks and directorate operational risks are owned by a named officer (see 1.5.4), who is similarly responsible for assessing the application of controls necessary to manage the risks. These risks are managed at directorate level and reviewed quarterly as part of the work programme of the Directorate Leadership Teams (in the case of directorate strategic risks) or by an Operational Risk Management Group, comprised of directorate officers (in the case of directorate operational risks).
- 1.5.10 Partnership risks are owned by either a client lead or a partnership manager who are also responsible for assessing the application of controls to manage the risks. These risks are managed at operational and strategic level and reviewed quarterly as part of the Strategic and/or Operational Partnering Boards.
- 1.5.11 Risks can be escalated to the next level of the Risk Management Framework at any time, where circumstances increase the risk to the authority. Similarly, where risks decrease in likelihood or impact, these can be downgraded for management at a lower level in the Risk Management Framework.

Cabinet member involvement

- 1.5.12 Cabinet is currently formally involved in the review and challenge of risk information at the corporate strategic level. Following SLT's review of the corporate strategic risks, these are reported to Cabinet twice a year. This allows Cabinet to consider, the Council's corporate risk register in its totality. Once Cabinet has considered the corporate strategic risk information, and once any results of this consideration have been reflected in the risk register as necessary, this is reported to the Audit Committee as part of the Council's framework of governance and control.
- 1.5.13 Strategic Directors, Heads of Service and Managers discuss risks (including corporate strategic, directorate strategic and directorate operational risks) as part of regular communication with Cabinet members, on the Council's operations. However, there is no formal process for this briefing.

Increasing assurance to Cabinet members

1.5.14 There are further steps which the organisation may wish to consider to improve the assurance framework relating to Cabinet member involvement in the risk management process. These involve formalising the cascading of risk information to Cabinet portfolio holders, to ensure that risk awareness is enabled as part of an established process.

1.5.15 It is recommended that the following steps are introduced:

- a) Identifying a named Cabinet portfolio holder for each risk;
- b) Ensuring that each Cabinet portfolio holder receives a copy of all current risk information for their portfolio, alongside a briefing on risk management issues by a relevant Strategic Director;
- c) Ensuring that where risks change, the relevant risk owners informs the named Cabinet portfolio holder and the Cabinet member for Finance and Resources, as part of regular briefings on the management of the Council's operations;
- d) When corporate strategic risk management information has been formally updated, adding an additional review stage into the process during which the Cabinet member formally reviews, and challenges, the officer risk owner's account of how the risk is being managed, before review by SLT and Cabinet.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

To introduce the additional stages to the Risk Management Framework set out in paragraph 1.2, aimed at ensuring greater formalisation of arrangements for Cabinet member involvement in risk management within their portfolio areas;

Option 2

Not to introduce the recommendations set out in paragraph 1.2;

Option 3

To identify and introduce alternative arrangements.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

The Risk Management Framework already established within the Council promotes accountability in the risk management process. As well as named 'risk owners', the review and management process works well and sees risk managed as part of existing management responsibilities, rather than as a separate artificial exercise. This is then reflected in the data captured and reported for review. The recommendations set out in paragraph 1.2 would formalise the role of the Cabinet member with portfolio responsibility in the management of risks within their portfolio areas, and that of the lead Cabinet member for Finance and Resources, thereby increasing Cabinet member assurance in the management of risk.

1.8 Appendices:

Appendix A – Corporate Risk Management Framework

1.9 Contact officers:

Allison Mitchell, Senior Manager, Audit Risk & Procurement, 0191 643 5720
Kevin McDonald, Group Assurance Manager, Audit Risk & Procurement 0191 643 5738
Vicky Soulsby, Senior Risk Advisor, Audit, Risk & Procurement, 0191 643 5871
Anthony Gollings, Financial Business Manager for CYP&L and Finance & Resources,
0191 643 8071

1.10 Background information:

The Corporate Risk Review April 2013

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no direct financial implications arising from the recommendations in this report. All risks and the cost of associated mitigating actions were assessed as part of the Council's 2012-15 Strategic Plan and budget setting process and reviewed as part of the 2013-2015 Financial Planning and Budget Process and are therefore contained within current budgets. Should any financial implications associated with these risks emerge that can not be contained within current budgets, then these will be reported to Cabinet.

2.2 Legal

There are no legal implications arising directly from this report.

2.3 Consultation/community engagement

Corporate risk and opportunity information has been gathered from officers throughout the Council, and considered by the Council's SLT. This risk information has been shared with the Cabinet Member for Finance and Resources. If the management of any of the risks required further engagement this would be carried out by the Risk Owner.

2.4 Human rights

There are no human rights implications arising directly from this report.

2.5 Equalities and diversity

There are no equalities and diversity implications arising directly from this report.

2.6 Risk management

The subject matter of the report covers the organisation's risk management process. Risks, are being managed according to the process. as set out in Appendix A.

2.7 Crime and disorder

There are no crime and disorder implications arising directly from this report.

2.8 Environment and sustainability

There are no environment and sustainability implications arising directly from this report.

PART 3 - SIGN OFF

- Chief Executive X
- Strategic Director(s) X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager,
Policy, Partnerships,
Performance and Communications X