

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **MONDAY, 25 JUNE 2012**

REPORT BY: **CHIEF EXECUTIVE**

SUBJECT: **RISK MANAGEMENT UPDATE**

1.00 PURPOSE OF REPORT

- 1.01** To advise Members of the corporate management of risk
- 1.02** To assure Members of the arrangements in place for business continuity.

2.00 BACKGROUND

- 2.01** Risk Management Update reports are reported to Audit Committee. Audit Committee is responsible for reviewing the effectiveness of the Council's Risk Management processes and systems.
- 2.02** Scrutiny Committees are responsible for challenging the detail either via the Strategic Assessment of Risks and Challenges (SARC) document or the quarterly performance reports.
- 2.03** Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the principles of openness and inclusiveness, integrity and accountability together with the overarching concept of leadership. It is an interrelated system that brings together the underlying set of legislative requirements, governance principles and management processes.
- 2.04** Risk Management is an integral part of the Council's Governance Framework and Internal Control and aids informed and transparent decisions by ensuring that risk management is embedded into the culture of the Council, with managers recognising that risk management is part of their everyday job.

3.00 CONSIDERATIONS

- 3.01** Risk Management Strategy
The current Risk Management Strategy was revised in 2010 to take into account the Council's maturing understanding of risk

management and its integration into the business planning processes. Periodic refreshes of the Strategy ensure that our processes are up to date; this current refresh adds to the Operational Risk section to make it more robust.

3.02 During a recent internal audit of risk management a recommendation was to amend the Risk Management Strategy to require the inclusion of the identification of operational risk in departmental Service Plans and to develop an operational risk template. Many services already use local risk registers and identify operational risks in their service planning arrangements and as part of performance monitoring, however to assist services where operational risk identification may be less embedded a new template has been developed. A copy of the Operational Risk template is attached at Appendix 1.

3.03 Risk Maturity

A Risk Maturity review has recently been undertaken by Internal Audit. It was performed as an advisory review and as a result will not produce a formal opinion; however the outcomes of the review will influence the Internal Audit Manager's annual opinion for the Council.

Risk Maturity is defined as "the extent to which a robust risk management approach has been adopted and applied as planned by management across the organisation, to identify, assess, decide on responses to, and report on opportunities and threats that affect the achievement of the organisation's objectives."

Additional workstreams may flow from this review; further detail will be presented to a future Audit Committee meeting.

3.04 Strategic Assessment of Risk and Challenges

The Strategic Assessment of Risks and Challenges (SARC) is the Council's strategic risk register and was first created during 2007/08. This document provides the foundations for the Council's Service/Business Plans and informs the Improvement Plan and the Regulatory Plan. It defines and details the priorities for change and improvement and is supported by our business planning processes and disciplines of service planning, risk management, financial planning, resource planning, monitoring and review.

The strategic assessment of risks and challenges comprises three sections:

1. Community Leadership –local challenges which cannot be maintained solely by the Council (e.g. affordable housing, Community Strategy review, public health and primary health care)

2. Council Delivery – public service challenges which are mainly within the control and responsibility of the Council (e.g. housing, school buildings, waste management).

3. Council Governance – challenges of organisational governance and management (e.g. finance, human resources, information and communications technology)

- 3.05** The strategic risks are monitored and updated quarterly either via the quarterly performance reports or via the SARC templates. The SARC document is published twice a year.

The SARC is currently being compiled for 2011/12 year end and a draft of the RAG (red, amber, green) risk levels summary is attached as Appendix 2.

3.06 Risk Management in Project Management

Some amount of risk taking is inevitable if a project is to achieve its objectives. The aim is to manage that risk by taking action to keep exposure to an acceptable level in a cost effective way.

Every project is subject to constant change in its business and wider environment, therefore the risk environment is also constantly changing too. The project's priorities and relative importance of risks will shift and change. Assumptions about risk have to be regularly revisited and reconsidered, for example at each milestone/phase.

Flintshire's project management system incorporates an approach to ensure that risks are identified, recorded and regularly reviewed and that plans are modified to include agreed actions which avoid or reduce the impact of risk. Risks are reported to the Project Board and CMT as necessary.

3.07 Business Continuity

Business Continuity Management (BCM) is a process that helps manage risks to the smooth running of an organisation or delivery of service, ensuring:

- continuity of "mission critical services" in the event of a disruption
- and effective and timely recovery.

The disruption could be loss of ICT, loss of building, loss of staff, or loss of key partner. Business Continuity Management is one of the Council's strategic risks.

The Council has 22 identified Mission Critical services with plans in place to mitigate the impact of a business interruption.

- 3.08** These plans have been recently used to assist the council in responding to the following incidents when business continuity of key services could have been under threat:

- Severe winter weather
- Localised flooding

- Industrial Action

The Council undertakes learning from these experiences to improve processes and approaches for the future.

Whilst there is some level of preparedness for the impact of emergency events on the council's ability to deliver its services there is still further work needed to ensure the resilience of the essential key services. This was noticeable during the recent threat to fuel supplies, as our third party suppliers had little or no resilience due to a clear lack of business continuity preparations. The impact of this would have been felt by both the council and its clients.

3.09 The Mission Critical Plans are tested at least annually and the latest round of testing was held in October 2011. The exercise (Exercise Coldfeet) was developed to enable the Corporate Management Team to assess the operational capacity of our Mission Critical Plans. The exercise aimed to test the resilience of these plans, paying particular attention to winter resilience, alternative accommodation requirements and ICT replacement facilities, and to identify any other shortfalls. All plan owners and authors were invited to attend. The session was also an opportunity for newly appointed staff, with responsibility for Business Continuity in their remit, to gain knowledge and practical experience of business continuity management requirements. The debrief of the exercise made recommendations to review plans against:

- Communications
- Alternative office accommodation
- Resources

All plans have been subject to a detailed audit and recommendations sent to plan authors/owners for update.

3.10 Work has started to develop an Exercise to test the Corporate Business Continuity Plan that will challenge the Strategic Business Response Team by using external and internal factors that could give rise to a business continuity interruption. It is planned to hold this exercise later in the year.

4.00 RECOMMENDATIONS

4.01 Members to endorse the corporate approach to risk management.

4.02 Members to gain assurance from the business continuity arrangements in place.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a direct result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a direct result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a direct result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report

10.00 CONSULTATION REQUIRED

10.01 Corporate management Team, Audit Committee (process), Scrutiny Committee (detail)

11.00 CONSULTATION UNDERTAKEN

11.01 Corporate Management Team, Audit Committee, Scrutiny Committee

12.00 APPENDICES

12.01 Operational Risk Template – Appendix 1

12.02 SARC RAG summary status – Appendix 2

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Strategic Assessment of Risks and Challenges, Corporate Business Continuity Plan, Mission Critical Plans

Contact Officer: Vicki Woolf
Telephone: 01352 702249
Email: victoria.woolf@flintshire.gov.uk