Committee:	Date:
Culture, Heritage & Libraries Committee	24th November 2014
Subject: Risk Management Strategy	**Public**
Report of: The Chamberlain	**For information**

Summary

This report introduces the new Risk Management Strategy which was approved by the Audit and Risk Management Committee on 13 May 2014. All committees are receiving a similar report which provides information to Members about the new Risk Management Strategy and progress on its implementation. This report covers the Culture Heritage & Libraries Department.

In line with the Cabinet Office's Management of Risk (M_O_R) principles a Risk Management Strategy has been developed to provide a clearer and dynamic framework for managing organisational risks. Key changes in the Risk Management Strategy include a new framework to define risks, a new 4x4 risk scoring model, the introduction of a target risk score and a clearer route to escalate risks.

Service Committees will continue to have responsibility to oversee the significant risks faced by departments in the delivery of their service responsibilities. Chief Officers are accountable for effective risk management within their department, reporting to their relevant service Committee(s), a responsibility that cannot be delegated.

An on-line risk management system is currently being implemented which will assist in the recording, management, and dynamic reporting of risks.

The changes arising from the risk management strategy will be implemented within City of London departments and Institutions alongside the phased rollout of the risk management information system. This will be done by working with each department, beginning with the Chamberlain's.

At the request of the Audit and Risk Management Committee, a revised framework for the review of key departmental risks at the same time as seeking updates on Corporate Risks has been developed. The new programme of risk review by members of the Audit and Risk Management Committee commenced from 9 September 2014 with the Chamberlain's Department. The Culture Heritage & Libraries Department is scheduled for 24th February 2015.

The departmental risk registers will be reviewed, and updated, in line with the new Risk Management Strategy including the adoption of the 4x4 risk scoring and introduction of a target risk score.

Recommendations:

Members are asked to

- Note the new Risk Management Strategy and plans for the phased roll-out of the strategy within departments and City of London Institutions.

Main Report

Background

1. In 2013 a risk management improvement plan was developed to improve and refresh the City Corporation's risk framework. An independent review of risk management was also undertaken by Zurich Municipal which further informed and strengthened the objectives set out in the improvement plan. Outcomes from the improvement plan resulted in changes to the risk framework and the creation of a Risk Management Strategy, which has replaced the risk management handbook and is in line with the terminology used commonly in other organisations as well as the Cabinet Office's Management of Risk principles. The Risk Management Strategy was approved by the Audit and Risk Management Committee on 13 May 2014.

2. Service committees have a responsibility to oversee the significant risks faced by departments in the delivery of their service responsibilities, receiving regular reports from Chief Officers identifying the significant risks and providing assurance that appropriate mitigation action has been identified and implemented. Chief Officers are accountable for effective risk management within their department, a responsibility that cannot be delegated.

Risk Management Policy (Page II, Appendix 1)

3. As part of the Risk Management Strategy a new Risk Management Policy statement was created. This is a statement of intent for risk management signed by the Chairman of Audit and Risk Management Committee and the Town Clerk.

4. An objective of the risk management policy statement is briefly to communicate the City Corporation's commitment to risk management, in order to support the realisation of its objectives, and to highlight its appetite for risk.

Risk Management Strategy (Appendix 1)

5. The Risk Management Strategy builds on the previous risk management handbook providing guidance on how risk management is used and how it will operate within the City Corporation. Development of this document also fits in with the Cabinet Office's M_O_R principles.

6. The Strategy was developed in consultation with the officers forming the Risk Management Group and has been reviewed by Chief Officers and Members of the Audit and Risk Management Committee.

7. Service committees continue to have a responsibility to oversee the significant risks faced by departments in the delivery of their service responsibilities, receiving regular reports from Chief Officers identifying the significant risks and providing assurance that appropriate mitigation action has been identified and implemented.

8. Key changes in the strategy include:

    i.   A clearer framework to define risks, using the Cause, Risk and Effect model (Appendix 1, Page 10).

    ii. A new 4x4 scoring model for likelihood and impact (Appendix 1, Page 11). This brings it in line with the risk matrices for Health and Safety and City of London Police.

    iii. The introduction of a Target Risk Score (Appendix 1, Page 22) to indicate how the Current/Net risk score will reduce further with the in-progress or planned controls. This will be the optimum score for the risk in order for it to be manageable, taking account of the resources available and the ability of the City Corporation directly to manage the risk once external factors are considered.

    iv. A clear escalation route highlighting how risks will be raised to management boards based on the risk score or risk type (Page 16). Service committees will continue receiving top departmental risks, now set at a risk score 16 or above, on at least a quarterly basis.

    v.   Service committees can recommend departmental risks be reviewed further at the Audit and Risk Management Committee and can recommend the risks be escalated on to the Corporate Risk Register.

Risk Management Information System

9. As departments are becoming more familiar with risk management, greater focus is being placed on the risk registers, which is resulting in an administrative burden due to the manual collation process involved using spreadsheets. To reduce this burden, improve consistency and significantly improve the ability to provide dynamic risk reports the City Corporation is introducing a risk management information system.

10. Some of the benefits that can be achieved from a risk management system include:

    a. Clearer oversight of Corporate, Strategic and Operational risks;
    b. Greater transparency and visibility of risk management;
    c. Assurance that risk portfolios are actively managed and that risk management is robust;

> d. Improving data quality and saving time (and expense) in administering risk registers;
>
> e. Behaviour changes from gathering information to interpreting what is said and improving the ability to provide business intelligence for decision making;
>
> f. Easier to share and communicate risk information;
>
> g. Improved reporting of risk information and usage in other areas, e.g. risk-based audits; and
>
> h. Real time information with a clear audit trail.

11. In addition to the above, a risk system will also allow customised reports to be produced which can focus on specific areas of interest, for example, producing a report for the top financial risks for a particular service area. This cannot be currently achieved due to the independent nature of the risk registers on MS Excel.

Planned Roll out

12. It is planned that changes arising from the risk management strategy are rolled out alongside the rollout of the risk management information system. This will ensure that information placed in the new system is refreshed and fits in line with the new risk framework. Installation of the new risk management software has commenced, with a phased roll-out now underway and due to be completed by the end of March 2015.

13. The Culture Heritage & Libraries Department has developed its risk register to cover its main functions as part of the business planning process. The key risks are brought to the Culture Heritage & Libraries Committee twice a year, or more frequently if the risks change significantly. Up until the implementation of the software planned for Quarter 4 2014/15 risk information will continue to be presented in the current format.

Cyclical Review of Corporate and Departmental Risks

14. Over the last two and a half years, a structured approach to reviewing the City's strategic risks has been adopted. At the request of the Committee, a revised framework for the review of key departmental risks at the same time as seeking updates on Corporate Risks has been agreed with the Chairman of the Audit and Risk Management Committee and Chief Officers.

15. The new programme of risk review by Members of the Audit and Risk Management Committee commenced from 9 September 2014 with the Chamberlain's Department, with the Culture Heritage & Libraries Department scheduled for 24th February 2015.

Conclusion

16.   The risk management framework continues to be actively reviewed to make it easier and effective in order to embed it further in the City Corporation. Service committees are an essential part of the framework to enable the City Corporation to understand and manage risks and in order to achieve the objectives set out in their respective departmental business plans.

Appendices
- Appendix 1 – Risk Management Strategy

Paul Nagle
Head of Audit and Risk Management
T: 0207 332 1277
E: paul.nagle@cityoflondon.gov.uk