

Committee(s):	Date(s):
Audit and Risk Management Committee	25th June 2013
Subject: Risk management update	Public
Report of: Chamberlain	For Information

Summary

This report presents the Audit and Risk Management Committee with an update on the strategic risk register and the independent review of the City of London's risk management arrangements which will commence during the Summer.

In accordance with the rolling review of risk, three strategic risks are considered in detail at this meeting of the Committee. These are SR9: Health and Safety, SR11: Pond Embankment Failure and SR16: Data Protection Breach.

Following Member feedback from the last two Committee meetings, the Strategic Risk Management Group reviewed the risk scores for both SR2 (Supporting the Business City) and SR5 (Flooding in the City). It was agreed that the Gross likelihood score for SR2 should reduce from 5 to 4, although it was recognised that this was a difficult area for the Corporation to mitigate, as much of the risk is determined by circumstances beyond the Corporation's influence. It was also recommended that the Risk score for SR5 should remain as originally assessed, as this risk deals with the overall City wide assessment, with specific high risk areas or wards to be managed through Departmental Risk registers.

The high value exhibition at the Barbican Art Gallery will come to a close on 10th June and, as a result, the related risk SR15 (Barbican Art Gallery) will be closed from the Strategic Risk Register. No major issues arose during the exhibition, demonstrating the positive impact of good planning and risk management.

Detailed plans are being progressed for the independent review of the effectiveness of the City of London Corporation Risk Management arrangements. The outcome of the Review will be reported back to the Audit and Risk Management Committee at the 15th October 2013 meeting.

Since last reported to the March Committee, the schedule of Strategic Risk reviews has been amended to include the new strategic risk SR16 (Data Protection Breach) and allow an earlier review of SR11 (Pond Embankment Failure), as there have been developments in the management of SR11 which

it was considered should be brought to Members earlier attention.

Recommendations

Members are asked to:

- note the changes to the strategic risks (Para 3 and Appendix 1);
- approve the closure of SR15: Barbican Art Gallery (Para 3.8)
- note the proposed scope of work for the independent review (Para 7);
- note the changes within the cyclical review of the strategic risks (Para 10).

Main Report

Background

1. The strategic risk register was last reviewed by the Audit and Risk Management Committee on 5th March 2013, by the Strategic Risk Management Group on 25th March 2013 and by the Chief Officer Summit Group on 9th April 2013.
2. Each risk has been reviewed and updated by the responsible risk owner, in accordance with the established risk framework. The latest strategic risk register contains 14 Strategic risks and is appended to this report for review (Appendix 1).

Current Position

3. Updates to the Strategic risks, since last reported, are summarised below:
 - 3.1. SR2 (Supporting the Business City): Following the March 2013 Audit and Risk Management Committee, Members requested the Strategic Risk Management Group review the gross likelihood score of this risk. Through discussion, it was agreed that this was a difficult area for the Corporation to mitigate, as much of the risk is determined by circumstances beyond the Corporation's influence; for example, the EU position on the financial transaction tax. It was also recognised that the scoring of the gross risk was very sensitive to external factors, particularly in relation to EU regulation. It was agreed, however, that the Gross likelihood score should be reduced from 5 to 4.
 - 3.2. SR4 (Planning Policy): Risk has been updated to take into account the City gaining local exemption from the national proposal to relax controls over change of use from offices to residential, however similar threats are still possible regarding changing planning use on hotels or retail premises. The Risk score remains at Amber.

- 3.3. SR5 (Flooding in the City): Following the February 2013 Audit and Risk Management Committee, Members requested the Strategic Risk Management Group to review the net impact score of this risk. As per the Strategic Risk report provided to the February Committee, improvements in modelling tools have helped in determining flood risk areas for the City, with only a few areas at risk of being affected. It was recommended that specific high risk areas/wards should be managed through the Departmental Risk registers but, as this risk deals with the overall City assessment, the Net impact score of 3 should remain.
 - 3.4. SR6 (Project Risk): Mitigating Actions have been updated to include the work being undertaken around project risk management, including training and the use of Project Vision to capture project risks. The Risk score, however, still remains at Amber.
 - 3.5. SR9 (Health and Safety Risk): The Enhanced Corporate Health and Safety Policy was approved by the Establishment Committee on the 18th April 2013 and, as part of these revised arrangements, the Town Clerk will be chairing the Corporate Safety committee. Health and Safety training will begin in June as part of the Members induction programme. Health and Safety audits are being scheduled to begin in October, which should assist in the reduction of the Control Evaluation score from Amber to Green. The Net risk score still remains at Amber.
 - 3.6. SR11 (Pond Embankment Failure): A new tender process has commenced, following the last procurement exercise failing to appoint a suitable contractor, with the expectation that a new appointment will be made by December 2013. There is also a potential for new issues to arise on the preferred design options when seeking wider public consultation. The Net risk score, however, still remains the same at a Red status.
 - 3.7. SR14 (Longer term Financial Uncertainty): Risk has been headlined within the medium term financial strategy which was approved by the Court of Common Council in March 2013. The 2012 Autumn statement announced a further cut in funding over 2013/14 and 2014/15. Although this is reflected in a forecast deficit from 2015/16, further cuts are likely in future spending rounds. For the 2016/17 forecast City Fund deficit, service based reviews have been added as a mitigating activity. The risk still remains at Amber, with no change in its likelihood or impact ratings.
 - 3.8. SR15 (Barbican Art Gallery): This risk is recommended for closure, as the exhibition will come to an end on 10th June. All equipment used and stored within the Barbican is scheduled to be taken out by 19th June. No major issues arose during the exhibition, demonstrating the positive impact of good planning and risk management.
4. To illustrate the current risk profile, the strategic risks have been plotted on the City's risk matrix, in accordance with the net scores of the impact and likelihood assessments (Appendix 1).

5. The risk management framework continues to help in identifying strategic risks, in accordance with the definition established in the Risk Management Handbook:

Strategic risks are those that are identified as having an impact on the achievement of the City Corporation's Strategic Aims or Key Policy Priorities.

One or more of the following four criteria must apply:

- The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities.
- A departmental risk that has significant impact on multiple operations if realised.
- The risk has been identified as present for a number of departments.
- There are concerns over the adequacy of departmental arrangements for managing a specific risk.

Independent Review of Risk Management

6. In June 2011, the Audit and Risk Management Committee agreed a recommendation that a review of the effectiveness of risk management be undertaken through an independent external Review.
7. We are currently confirming the sourcing and detailed terms of reference for this review. The planned scope of work will assess the design and operation of the current Risk Management Framework. As well as undertaking a desk top review of current guidance, Strategic and Departmental Risk Registers, the Review will include interviews with selected Members, Chief Officers and Managers.
8. The outcome of the Review will be reported back to the Audit and Risk Management Committee at the October 2013 meeting. One outcome the Chamberlain is keen to see in the report is a commentary of the Corporation's appetite for risk – in other words the amount of risk, in broad terms, which the Corporation is prepared to take on in pursuit of its objectives and strategy. The risk appetite needs to be measured so that, once properly articulated, it can be a cornerstone for the risk management framework.

Cyclical Review of Strategic Risks

9. A structured approach to reviewing the City's strategic risks has been adopted, in order to promote full coverage and review.
10. Since last reported to the March Committee, the schedule of Strategic Risk reviews has been amended and now includes a new strategic risk SR16 (Data Protection Breach). SR1 (Failure to Respond to a Terrorist Attack) was originally scheduled for 25th June 2013, but has been swapped with SR11 (Pond Embankment Failure), as there have been developments in the management of SR11 which it was considered should be brought to Member's earlier attention.

11. The revised schedule of reviews for the Audit and Risk Management Committee is shown below:

Forthcoming reviews:		Date
SR9	Health and Safety Risk	25 th June 2013
SR11	Pond Embankment Failure	25 th June 2013
SR16	Data Protection Breach	25 th June 2013
SR1	Failure to Respond to a Terrorist Attack	17 th September 2013
SR13	Public Order and Protest	17 th September 2013
SR8	Reputation Risk	15 th October 2013
SR10	Adverse Political Developments	15 th October 2013
SR3	Financial Stability	5 th February 2014
SR14	Longer term Financial Viability	5 th February 2014
SR4	Planning Policy	5 th March 2014
SR5	Flooding in the City	5 th March 2014
SR2	Supporting the Business City	17 th June 2014
SR6	Project Risk	17 th June 2014

Previous reviews:		Date
SR2	Supporting the Business City	5 th March 2013
SR6	Project Risk	5 th March 2013
SR4	Planning Policy	5 th February 2013
SR5	Flooding in the City	5 th February 2013
SR3	Financial Stability	12 th December 2012
SR11	Pond Embankment Failure	12 th December 2012
SR14	Longer term Financial Viability	12 th December 2012
SR8	Reputation Risk	20 th September 2012
SR9	Health and Safety Risk (second review)	20 th September 2012
SR10	Adverse Political Developments	20 th September 2012

Conclusion

12. The Strategic Risk Register continues to be reviewed actively and updated by risk owners, in line with the requirements stipulated by the Risk Management Handbook. Strategic Risks are being added and closed as the risk environment changes, with the cyclical review programme of Strategic Risks being actively managed. Arrangements are being made to review independently the effectiveness of the City of London Corporation Risk Management Framework during the Summer and report the findings to the 15th October 2013 Committee meeting.

Appendices

- Appendix 1 – Strategic Risk Register

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