

<b>Committee(s):</b>	<b>Date(s):</b>
Audit and Risk Management Committee	28 <sup>th</sup> January 2014
<b>Subject:</b> Risk Management Update	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For information</b>

### **Summary**

This report presents the Audit and Risk Management Committee with an update on the Strategic Risk Register and the progress to date on the Risk Management Improvement plan, which now incorporates the recommendations from the independent review.

The Risk Management Improvement Plan highlights the activities undertaken to refresh and revise the Risk Management Handbook, which will be renamed as the Risk Management Strategy. The Risk Management Improvement plan also provides updates on the implementation of risk register software which will incorporate the revised processes for capturing and reporting risks. Key changes noted within the Improvement plan include the revised method for describing risks, the new risk matrices and the revised structure for escalating risks. The Risk Management Strategy will incorporate these revisions and a draft version will be reported to the March Audit and Risk Management Committee for comment, following which it is intended to present the new Risk Management Strategy to Committee in May for final approval.

As part of the improvement plan, a workshop was held to refresh the Strategic Risk Register with the Chief Officers Group on the 4<sup>th</sup> December 2013. Outcomes of this session are being reviewed by the Chief Officer Summit Group on the 22<sup>nd</sup> January following which the revised Strategic Risk Register will be reported to the Audit and Risk Management Committee in March for approval.

In accordance with the rolling review of risk, two strategic risks are considered in detail at this Committee. These are SR4: Planning Policy and SR5: Flooding in the City.

### **Recommendations**

Members are asked to:

- note the updates to the Strategic Risk Register (Para 3)
- note the progress on the Risk Management Improvement Plan (Para 6);
- note the plans to consult the Committee on the new Risk Management Strategy at the March Committee and seek formal approval of the new Strategy at the May meeting (Para 7).

## Main Report

### **Background**

1. The strategic risk register was last reviewed by the Audit and Risk Management Committee on 17<sup>th</sup> September 2013, by the Strategic Risk Management Group on 11<sup>th</sup> November 2013 and by the Chief Officer Summit Group on 9<sup>th</sup> December 2013.
2. Each risk has been reviewed and updated by the responsible risk owner, in accordance with the established risk management framework. The latest strategic risk register contains 13 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. SR3 (Financial Stability): The financial settlement for 2015/16 is worse than originally anticipated and we estimate the impact will make a further dent of £2.7m p.a in our 2015/16 forecast, increasing the deficit forecast for that year to £5.6m. We have currently identified some efficiency savings to meet this gap, but this leaves a potential gap of between £1.1m-£3.6m for a balanced budget on the City Fund in 2015/16. However, as this deficit is covered by reserves, the Net risk assessment remains at Amber. When savings have been identified and have been removed from budgets in the Autumn of 2014, the risk will drop to Green.
  - 3.2. SR8 (Reputation): Reputational risk on Safeguarding is now being monitored in Public Relations. The risk remains at Amber.
  - 3.3. SR9 (Health and Safety): A new health and safety management system for buildings is being trialled within City Surveyors to help identify where health and safety risk exists within City of London property assets. The annual certificates of assurance are due on 31st January and the Corporate Safety Team will be carrying out their own audits on departments following the submission. As a result the Control Evaluation and the Risk remains Amber.
  - 3.4. SR14 (Longer term Financial Uncertainty): The position for non-protected services from 2016/17 looks to be difficult, with potentially £13m p.a. savings to be found in City Fund- which will need to be addressed through savings from the service based reviews. This risk will remain red until savings options have been identified.
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 from 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.

### **Risk Management Improvement Plan**

6. The Risk Management Improvement plan has been updated to incorporate the recommendations from the Independent Review (Appendix 2). Actions with the improvement plan are grouped within the following themes:

- Review of risk management governance structures: to reduce overlaps of responsibilities and ensure a transparent escalation process;
- Creating a dynamic risk reporting framework: Ensuring high priority risks get maximum exposure;
- Improving the content of the risk registers: to provide consistent, clear and relevant information;
- Introduce a risk management software: to provide a quick and efficient method to recording and reporting risks
- Formalise revised framework and processes: to establish and formalise the revised risk management approach;
- Improve staff skill set and build awareness of risk management;
- Review new framework: to determine how risk mature the organisation; and
- Additional Independent review recommendations: which capture the remaining recommendations from the Independent Review.

7. Key updates have been noted below.

#### **7.1. Risk Management Strategy**

7.1.1 The Risk Management Handbook will be renamed as the Risk Management Strategy, falling in line with the terminology used more commonly in many other organisations as well as the Cabinet Office's Management of Risk principles. This also complies with the terminology used within the Terms of Reference for the Audit and Risk Management Committee.

- 7.1.2 The Risk Management Strategy takes in to account the recommendations from the Independent Review and contains revised processes and reporting lines, including the responsibilities of the Strategic Risk Management Group which will now be subsumed within the Chief Officers Summit Group. There will continue to be an officer level risk management group which will now focus on the operational areas of embedding risk management.
- 7.1.3 Other key changes within the Risk Management Strategy include the revised format for describing risks, in the form of Cause, Risk and Effect, and the new 4x4 matrices for scoring and prioritising risks.
- 7.1.4 A draft version of the Risk Management Strategy will be provided to the Audit and Risk management Committee in March for comment. The final version will be presented to the Committee in May for final approval.

## 7.2. Strategic Risk Review

- 7.2.1 A workshop to refresh the Strategic Risk Register took place on 4<sup>th</sup> December 2013 with the Chief Officers Group.
- 7.2.2 The workshop entailed Chief Officers to discuss and identify key risks which may affect the achievement of the Corporation's Strategic Aims.
- 7.2.3 Outcomes of this session are under review and scheduled to be reported to the Audit and Risk Management Committee in March, at which point a list of recommendations for the Strategic Risk Register will need approval.

## Cyclical Review of Strategic Risks

8. A structured approach to reviewing the City's strategic risks has been adopted, in order to promote full coverage and review. The schedule of reviews for the Audit and Risk Management Committee is shown below:

<b>Forthcoming reviews</b>	<b>Date</b>	<b>Committee Responsible</b>
SR4 Planning Policy	28 <sup>th</sup> Jan 2014	Planning & Transportation
SR5 Flooding in the City	28 <sup>th</sup> Jan 2014	Port Health
SR17 Safeguarding	4 <sup>th</sup> Mar 2014	Community & Children's Services
SR11 Pond Embankment Failure	4 <sup>th</sup> Mar 2014	Hampstead Heath
SR16 Data Protection Risk	13 <sup>th</sup> May 2014	Establishment

  

<b>Previous reviews:</b>	<b>Date</b>	<b>Committee Chairman</b>
SR3 Financial Stability	11 <sup>th</sup> Dec 2013	Finance
SR14 Longer term Financial Viability	11 <sup>th</sup> Dec 2013	Finance
SR8 Reputation Risk	15 <sup>th</sup> Oct 2013	Policy & Resources
SR10 Adverse Political Developments	15 <sup>th</sup> Oct 2013	Policy & Resources
SR1 Response to a Terrorist Attack	17 <sup>th</sup> Sep 2013	Policy & Resources
SR13 Public Order and Protest	17 <sup>th</sup> Sep 2013	Policy & Resources
SR9 Health and Safety Risk	25 <sup>th</sup> Jun 2013	Establishment
SR11 Pond Embankment Failure	25 <sup>th</sup> Jun 2013	Hampstead Heath
SR16 Data Protection Risk	25 <sup>th</sup> Jun 2013	Policy & Resources
SR2 Supporting the Business City	5 <sup>th</sup> Mar 2013	Policy & Resources
SR6 Project Risk	5 <sup>th</sup> Mar 2013	Project Sub-Committee

## Conclusion

9. 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. Work is continuing to enhance further the effectiveness of managing and reporting risks throughout the organisation.

## Appendices

- Appendix 1 – Strategic Risk Register
- Appendix 2 - Risk Management Improvement Plan

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