



# Gedling Borough Council

## Strategic Risk Management

Risk Management Development Report  
April 2015



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The matters arising and reported within this document and identified as part of our work are not necessarily a comprehensive statement of all the risks that exist, or of all the improvements that may be required. Our assessment is based on a number of discussions held with key individuals and whilst every care has been taken to ensure that the information provided during our work is as accurate as possible, no complete guarantee or warranty can be given with regard to the advice and information finally presented.

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# 1. Executive Summary

## Objective and Scope

The purpose of this exercise was to conduct a Risk Management Health Check on the council's arrangements relating to risk, with a purpose of presenting findings in this Risk Management Development Report.

In order to perform this assignment we completed an initial desktop review of relevant policies, procedures and documents with the purpose of feeding this information back via this report. This process allowed us to gain a further understanding of the methodologies and mechanisms used to both govern and manage the Council's risks. A detailed summary of the scope, along with the documents obtained to complete the desktop review, are listed in Appendix A and B.

The nature of the review was to look at current processes and procedures and identify areas where the risk management arrangements could be improved. This exercise was not an audit and should not be construed as an audit of controls. This is purely an advisory piece of work and as a result, no opinion will be given.

## Overview

Over the past years, the Council has been committed to the development of risk management and have made steps to implement tools to increase the maturity of their approach. However, the governance and reporting arrangement around risk management could be improved to maintain its presence and progress against improvements to the current arrangements.

From completing the document desk top review and supplementary meetings with the risk management section, followed by a session with SLT we noted that:

The council is committed to developing its maturity in risk management and has taken steps to update its strategy and reporting arrangements to support this,

Risk registers, both strategic and operational are reviewed routinely by management. Audit Committee and Senior Leadership Team (SLT) review these formally at least 4 times a year,

Assurance on the management of risks is reported formally to Audit Committee quarterly via the Corporate Risk Scorecard

The activities of the former Risk Management Group have now been subsumed within the Audit Committee which could be seen to align risk management more with a compliance and assurance role rather than a business improvement driver,

The authority continues to develop their central risk database, providing a hierarchy of risks mapped to corporate objectives,

Policies and procedures are documented and approved.

During the course of our review, we identified some potential areas of improvement, which are noted below. These have been explored in greater detail in section 2.

# 1. Executive Summary *continued*



Area of Improvement	Overview
Integrated with strategy	<ul style="list-style-type: none"> <li>Operational risk is currently identified as part of the Service Assurance Statements and should be instrumental in both the Directorate's business planning and performance management processes.</li> </ul>
Scrutiny, review & reporting	<ul style="list-style-type: none"> <li>§ The format of the reporting of strategic risk should be reviewed and refreshed. A useful one page visual tool allowing consideration, assessment and decisions to be made could be implemented.</li> <li>§ Audit Committee members should have the opportunity to attend a risk refresher training session, to allow them to:                             <ul style="list-style-type: none"> <li>○ Understand their roles with regards to risk management and the importance of effective scrutiny;</li> <li>○ Identify mechanisms to assess and report framework or risk improvements/issues.</li> <li>○ Have the opportunity to explore views and opinions on useful design of reports, escalation and obtaining information etc. to enhance the scrutiny process.</li> </ul> </li> </ul>

# 1. Executive Summary *continued*



Area of Improvement	Overview
Scrutiny, review & reporting <i>(continued)</i>	<ul style="list-style-type: none"> <li>§ Risk management is currently discussed at Service Manager Meetings where the risk team facilitate conversations regarding risk and updates to the risk register on a 6 monthly cycle. This approach complements the Internal Audit planning activities. Formal risk reporting and assurance going to Audit Committee.</li> <li>§ Effective 'two way' communication channels are evident in the existence of a robust Whistle Blowing Policy and the 'open door' approach to escalating issues of concern.</li> <li>§ The Data Security Group has robust governance in place to manage its projects and IT related risks.</li> <li>§ Operational risk management activities are generally, however, inconsistently applied.</li> </ul>
Effective enabling risk tools	<ul style="list-style-type: none"> <li>§ Guidance on risk management is available through the 'Risk Management Policy Guidelines' which have been developed using feedback from staff and members.</li> <li>§ The scorecard includes the risk type, which aids in highlighting any specific concerns on certain areas of risk exposure.</li> <li>§ The risk profile, which is completed for new or updated risks, highlight any control gaps for reporting.</li> </ul>
Policy & Procedures	<ul style="list-style-type: none"> <li>§ The Council should define and develop a risk appetite, communicate this to staff and incorporate this within the risk management strategy and procedures.</li> </ul>

## Conclusion

The council has a sound foundation in place to enable it to manage its risks. Key documents exist that set out the council's strategy and policy for risk management.

From the review of documents; reporting and review of risk is happening on a regular basis at corporate level but the frequency of review and updates should be assessed for their timeliness. Following comments from SLT, consideration should be given to updating the corporate risk categories on the Risk Scorecard to include an additional section on Customer Satisfaction as SLT felt this was a key driver for performance management and an area of risk that should be monitored closely. Review of operational risks should also be investigated to ensure that on-going management of risk is happening and not just at 6 monthly intervals.

The council has a risk maturity model in place as part of its self assessment process and currently is marked at level 3-4 reflecting that there is an agreed corporate framework in place but that there are some inconsistencies of ability at operational level to identify and mitigate risks.

Consideration should be given to how and what degree the embedding of operational risk management across the services should move current practise from a 'tick box exercise' to comply with reporting requirements, to it being a 'golden thread' throughout the day to day activities.

Implementing the recommendations highlighted within Section 2 of this report will strengthen the Authority's risk management framework and this will, in turn help to ensure a consistent and integrated approach to managing risk.

## 2. Detailed findings and suggested areas of improvement



Area	Finding	Suggested Improvement
<b>Integrated strategy</b>		
1	<p>Interconnectivity of risk management strategy with operational risk and business planning</p> <p>The linkages between risk management and other appropriate policies within the Strategy should be explicit. This will heighten the importance and understanding of the interconnectivity of these policies for readers and widen risk identification processes.</p> <p>Currently the Risk Management Strategy lacks a formal statement of support from either the Chief Executive or Leader. While it makes reference to the strategic importance of risk, there is a lack of clarity about how risks are aligned to the delivery of corporate objectives.</p>	<p>A formal risk appetite should be defined and developed and included as a statement within the Risk Management Strategy and supporting policy documents.</p> <p>Formally update and adopt the Risk Management Strategy for approval. SLT agreed that formal endorsement of the strategy would be useful in setting the tone for officers.</p>
<b>Effective Review, Reporting and Scrutiny</b>		
2	<p>Oversight and reporting</p> <p>The Audit Committee receives quarterly reports on the Corporate Risk Scorecard, which looks at the strategic risks in detail. The council has an integrated approach to assessing the effectiveness of controls (by highlighting the control gap) and mapping direction of travel. All of the reporting data is useful but this level of information may be overwhelming for the reader and prevent individuals from reviewing the document in depth and subsequently reducing the level of scrutiny around the content.</p>	<p>Consideration may be given to the training of Committee members:</p> <ul style="list-style-type: none"> <li>§ Their roles within risk management</li> <li>§ The need for effective scrutiny and communication of issues/improvements.</li> <li>§ Potential views/opinions on the development of reporting aids, information and enhancements to the process.</li> </ul>

## 2. Detailed findings and suggested areas of improvement



Area		Finding	Suggested Improvement
3	Accurate documentation of risks, controls etc	No costing of risk, either in terms of the risk or implementation of controls is included within the risk registers which could be useful when making decisions on which risks need financial attention.	Consideration should be given to developing a cost of risk option, associated with the risk registers. This is recognised as a difficult concept, however, should at least be given consideration.
4	Communication and feedback	In order for risk management to be effective, management should ensure that on-going assessments and reviews are conducted. This includes feedback from Audit Committee with regards to the format, content and ease of use of the risk reporting tools. It is not clear from the documents reviewed the level or nature of the feedback on the submissions, or the nature, controls, documentation etc of the risks submitted. Conversations with the corporate risk team support the engagement of members in the process and the challenge on risk profile changes, as evidenced in the Audit Committee minutes.	All users of the risk reporting tools should ensure that there is an effective communication channel so that staff are made aware of: <ul style="list-style-type: none"> <li>§ Areas of good practice</li> <li>§ Potential emerging risks (both internally and externally)</li> <li>§ Enhancements/improvements; and</li> <li>§ Future considerations or additional reporting information.</li> </ul>

## 2. Detailed findings and suggested areas of improvement



Area	Finding	Suggested Improvement
<b>Effective Enabling Risk Tools</b>		
5	<p>Categories of risks /Control Type and Compliance activity</p> <p>Appendix B of the Corporate Risk Scorecard details the corporate risks against each category. The scorecard information was presented in an alternative format to SLT and illustrated potential gaps in information and awareness of strategic risks. A notation of the discussion around new risks is listed in Appendix C, with a view to exploring these in more detail at the quarterly review of the Corporate Risk Register.</p>	<p>We would recommend that the Risk Department consider the outputs from the SLT session and undertake a review and update of the Corporate Risk Scorecard and the 11 risk categories as outlined in Appendix C.</p>

## 2. Detailed findings and suggested areas of improvement



Area	Finding	Suggested Improvement
<b>Policy and Procedures</b>		
6	<p data-bbox="555 496 1364 619">We obtained a copy of the relevant policies and procedures and noted that the risk management strategy had recently been reviewed, updated and approved. In addition to the strategy, documentation is available to staff.</p> <p data-bbox="555 655 1364 810"><b>Risk appetite</b> The Authority's current Risk Management Policy does not include a risk appetite. Not only is it best practice to develop such a statement, it would also benefit employees when making business decisions.</p>	<p data-bbox="1386 496 1991 587">The Policy and procedures should be reviewed and a small number of amendments identified during our review should be made.</p> <p data-bbox="1386 687 1991 1038">Due to the current economic climate, organisations are required to focus on the reduction of budgets, process improvements and investment in initiatives to reduce costs and increase revenue streams. As a result, it is important that the Authority identifies, documents and communicates the level and areas of risks that it is willing to accept. The Council should consider the development of a risk appetite. Once performed, this should be communicated and included within the Risk Management policies and procedures.</p>

# Appendix A – Documents Reviewed



## Documents reviewed

As part of the desktop exercise, we obtained and reviewed the following documents:

- § Risk Management Strategy
- § Risk Management Policy Guidelines
- § Risk Profile Change Forms
- § Risk Profile for New Risk
- § Internal Audit Report 2013-2014 to Audit Committee
- § GBC Risk register March 2014
- § Risk Scorecard June 2014 (ASC)
- § ASC Terms of Reference Review (13-14)
- § CHAS Terms of Reference
- § CHAS Forward Plan as at 10.07.14
- § CHAS Agenda 09.09.14
- § CHAS Minutes 09.06.14
- § AGS 2013-14 Account Version

## Supporting Evidence

Discussions as follows:

- § Feedback meetings with Risk Management team
- § SLT session 24<sup>th</sup> February

## Appendix B – Outline scope



PHASE	DESCRIPTION
<b>Phase 1 Desk top Review</b>	We will review relevant information such as, the existing policies and procedures, Risk Registers along with further relevant information/documentation.
<b>Phase 2 Report and Briefing</b>	Our findings will be documented within a risk management development report, which we will meet with yourself and Alison to discuss further and agree.
<b>Phase 3 Briefing paper</b>	An attendees briefing paper will be drafted outlining the process for the workshop, existing strategic risks and prompts for consideration of further risks etc.
<b>Phase 4 Senior Leadership Workshop</b>	During a two hour workshop, we will facilitate a discussion of the existing and new strategic risks, along with the grading and mitigating actions. In addition, we will feedback the findings of the desktop review and with the SLT formulate a number of actions to deliver on any improvements identified.
<b>Phase 4 Strategic Risk Register &amp; Development Action Log</b>	From the details obtained during the workshop, we will update the existing Strategic Risk Register along with the development actions log and submit to the SLT for review and approval.

# Appendix C – Strategic Risk Discussion with SLT



- Risks associated with County Councils passing down responsibilities from tier 1, for example in relation to the Care Act
- A number of staffing challenges relating to recruitment and retention, in particular a proximity risk to Nottingham and whether staff can be retained as the economy improves and city centre organisations are able to offer better terms
- There was some discussion about whether the Local Authority sector was sufficiently attractive to younger people given the background of austerity but the CEO countered this by suggesting that it was also an opportunity given that central government appeared to be giving more freedom to local government, particularly to innovate
- Maintaining service standards, service quality and customer satisfaction against a more challenging backdrop of a reducing workforce
- Being clear about the choices being made which may involve reducing standards in certain areas to divert funds elsewhere
- Finding the balance between the community leadership role (outward facing) versus delivery of core services (inward looking)
- A couple of commercial risks were mentioned in relation to a) a failure to be commercial (being efficient) and b) failure to regularly review commercial activities eg. building control
- Number and interrelation of projects which, if not delivered could impact from social, economic and reputation perspectives

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