HIGH PEAK BOROUGH COUNCIL

Report to the Audit and Regulatory Committee

13th February 2019

TITLE:	**Review of Risk Management Strategy**
EXECUTIVE COUNCILLOR:	**Cllr Emily Thrane - Executive Councillor for Finance and Operational Services**
CONTACT OFFICER:	**Vanessa Higgins - Information Business Partner**
WARDS INVOLVED:	**Non-Specific**

Appendices Attached
Appendix 1: Risk Management Strategy

1.   Reason for the Report:

1.1   To present for approval the updated Risk Management Strategy, this sets the Council's risk tolerance threshold.

2.   Recommendation

2.1   It is recommended that the Committee approve the revised Risk Management Strategy as detailed at Appendix 1.

3.   Executive Summary

3.1   The Risk Management Strategy is reviewed every two years in order to ensure the Council's approach reflects changing circumstances.

3.2   The 2019 strategy review has been informed by a number of considerations, including:

- A voluntary external review of the Council's risk management arrangements by strategic risk engineers from insurance partners, Zurich
- Findings of internal audit and other reviews
- Financial challenges facing the Council over the course of its Medium Term Financial Plan and how this might affect the tolerance to financial risk
- Consultation with senior managers via the corporate Risk Management Group
- Horizon-scanning for emerging risks within the public sector and more widely, as identified by the risk and insurance sectors.

4.   How this report links to Corporate Priorities

4.1   Risk Management impacts on all service areas and therefore links to each of the Council's Corporate Plan aims.

5.   Options

5.1   The committee can approve the revised strategy or suggest amendments.

6.   Implications

   6.1   <u>Community Safety - (Crime and Disorder Act 1998)</u>
           None

   6.2   <u>Workforce</u>
           None

   6.3   <u>Equality and Diversity/Equality Impact Assessment</u>
           This report has been prepared in accordance with the Council's Diversity and Equality Policies

   6.4   <u>Financial Considerations</u>
           Effective Risk Management contributes to the Council's financial objectives

   6.5   <u>Legal</u>
           None

   6.6   <u>Sustainability</u>
           None

   6.7   <u>Internal and External Consultation</u>
           Service Managers have been consulted on the current Risk Management Process through the Risk Management Group

   6.8   <u>Risk Assessment</u>
           Establishing the Council's risk tolerance is central to delivering a successful Risk Management Strategy.

ANDREW P STOKES
<u>Executive Director (Transformation) & Chief Finance Officer</u>

7.   Background

7.1   The Council's Joint Risk Management Strategy was first adopted in December 2010. In line with the commitment given in the strategy to undertake regular reviews, the strategy is now in its seventh iteration.

8.   2019 Review

8.1   The 2019 strategy review has been informed by the areas bulleted below, which are explored in more detail in the following paragraphs.

- A voluntary **external review** of the Council's risk management arrangements by strategic risk engineers from insurance partners, Zurich, which focused on specific areas
- Findings of internal **audit** and other reviews relating to risk management
- Financial challenges facing the Council over the course of its Medium Term Financial Plan and how this might affect the **tolerance** to financial risk.
- Consultation with senior managers via the corporate Risk Management Group.
- **Horizon-scanning** for emerging risks within the public sector and more widely, as identified by the risk and insurance sectors.

8.2   **External Review** – In April 2018 the Alliance commissioned Zurich to carry out a desktop review of its approach to strategic risk management with a particular focus on opportunity risk. The review was extremely positive and concluded that the '*strategic risk register supports the Strategy and Guidance very well and gives assurance that the Alliance take risk management seriously and the process is well managed. Documentation demonstrates that the organisation is very mature in its risk management and all officers connected to the process should be applauded for the obvious work which takes place*'.

8.3   The review also provided some useful guidance for the Council in terms of how to more formally assess opportunity risk and a new reverse matrix has been included within the revised Strategy. Our new approach to recording opportunity risk has also been reflected in all risk registers, alongside the inclusion of root cause analysis at the risk identification stage.

8.4   **Audit findings** – The Information Team gained a sought after 'substantial' assurance assessment in the 2018/19 Risk Management audit in recognition of the processes in place. The only area for further minor improvement is in relation to the timely and transparent assessment of risks within the project management methodology.

8.5   **Tolerance threshold** – The recommendation within this report is that the current risk-threat tolerance threshold is still valid, given the financial context outlined within the Medium Term Financial Plan. An equivalent threshold has been set for opportunity risk, to allow for reporting by exception of those high gain / high probability risks. The suggestion of introducing different tolerance levels for different categories of risk has been considered within the review but

given the large number of categories involved, it's felt that this would add unnecessary complexity and bureaucracy into a system that is acknowledged as working well.

8.6 **Horizon-scanning** for new and emerging risks within local government and beyond helps inform both our risk strategy and our strategic risk register. The 2019 review has looked at both the national and global context using resources from the Insurance and Risk sectors.

8.7 Looking beyond the national picture to the 'Global Risks Report 2019,' produced by the World Economic Forum just last month; the risk landscape has been segmented into five areas:

❖ *Economic vulnerabilities* – slowing economic growth, persistent economic inequality, asset bubbles, failure of a financial institution, inflation/deflation, and energy price shocks

❖ *Geopolitical tensions* – tension between the globalization of the world economy and the growing nationalism of world politics is a deepening risk

❖ *Societal and political strains* - World Health Organisation data suggests that depression and anxiety disorders increased by 54% and 42%, respectively, between 1990 and 2013. Worldwide 700 million people are estimated to have a mental disorder. In the UK, an independent review found that while sickness related absences overall fell by more than 15% between 2009 and 2017, absences related to mental health problems increased by 5%. The UK review recommended revising health and safety provisions to take greater account of mental as well as physical well-being

❖ *Environmental fragilities* – extreme weather events, climate change mitigation, upheavals in the global waste disposal and recycling supply chain, loss of biodiversity

❖ *Technological instabilities* – fourth industrial revolution, cyber attacks (357m malware variants in 2016 alone), data fraud / theft, critical infrastructure breakdown, adverse consequences from technological advancement (psychological stress, loneliness and isolation).

8.8 A fundamental review of the Council's strategic risk register took place with senior managers in autumn 2018, set within the context of the Council's four corporate aims and the wider risk landscape. The review also took account of the risk areas suggested by Zurich, some of which had already been included.

8.9 As a result a new strategic risk register has been developed, which addresses both risk threats and risk opportunities using the revised methodology. The new risk areas included are shown in the table below, together with linkages to their relevant risk categories:

Risk	Threat	Opportunity	Category

Risk	Threat	Opportunity	Category
Effective contract management	✓	✓	Economic
Staff resources and retention	✓		Social
Cyber / IT Security	✓		Technology
External funding for growth	✓		Economic
Meeting the needs of a changing local population	✓		Social
Community engagement	✓		Social
Meeting the environmental regulatory framework	✓		Environment
Energy supply	✓		Environment
Council trading (commercialism)		✓	Economic

8.10   Progress in identifying opportunity risk within the Council's strategic, operational and project management activities is at its early stages but we remain at the forefront of the sector in taking this aspect forward. More training and support will be provided for relevant managers this year to help embed this work.

8.11   Voluntary external checks on the Alliance's Information Governance arrangements will also take place this year, together with a focused piece of work considering the strategic risks involved in increased trading activities / commercialism.

8.12   The proposed changes to the Council's Risk Management Strategy are highlighted in red within Appendix 1.