

Annual Risk Management Report 2012/13

To: Audit & Governance Committee

Date: 25 June 2013

Main Portfolio Area: Finance & Governance

Author of report: Ian Cumberworth, Internal Audit Manager

Classification: Non Exempt

Ward: All

SUMMARY

This report sets out the annual report on the Council's risk management arrangements in accordance with the requirements of the Risk Management Strategy.

LINK TO STRATEGIC COMPASS

The report supports all of the corporate priorities by ensuring that we are well managed, proactive and deliver value for money services. Risk management also forms part of the Corporate Governance framework.

Report status

For decision.

Route to Implementation/Timetable:

Specific action plans have been developed to identify and manage the authority's strategic risks which are subject to review and monitoring by Management Board, Cabinet and Audit and Governance Committee throughout the year.

BACKGROUND/INTRODUCTION

1. The Council is committed to effective management of risk and has a Risk Management Strategy (**Appendix D**) that sets out the authority's approach and requires an annual report to members on risk.
2. As part of its governance arrangements the authority is required to manage risks effectively. This report sets out the current position with regard to strategic risks and provides members with an updated position of the current risks as at 31 March 2013.
3. This report updates members on the approach to risk management within the Council and the developments over the last twelve months.

Developments in the last year

4. The Council has monitored and reviewed the Strategic Risk register throughout the year and has adjusted the risk profile accordingly to reflect the changing risk environment. Regular reports have been taken to Audit & Governance Committee for consideration during the year.
5. The table below sets out the movements in the risks over the last financial year and shows the current risk rating as at the 31 March 2013.

Risk No.	Description	Target Score	Apr-12	Movement	Nov-12	Movement	Mar-13	Likelihood	Impact
CSR 01	Growth	D2	C2	↔	C2	↔	C2	Significant	Critical
CSR 02	Funding Streams	D2	B2	↔	B2	↔	B2	High	Critical
CSR 03a	Partnerships	C3	C3	↔	C3	↔	C3	Significant	Marginal
CSR 03b	Joint Services	C2	B2	↔	B2	↔	B2	High	Critical
CSR 04a	Organisational Resilience	C3	B2	↔	B2	↔	B2	High	Critical
CSR 04b	Information & Communication Technology	C2	B2	↔	B2	↔	B2	High	Critical
CSR 05	Political Environment	C3	B2	↔	B2	↔	B2	High	Critical
CSR 06	Local Authority Mortgage scheme				D3	↔	D3	Significant	Marginal

↔ No Change ↑ Increased Risk ↓ Decreased Risk

A new risk CSR 6 Local Authority Mortgage Scheme (LAMS) was established in August 2012 to reflect the Authority entering into an arrangement with Lloyds Bank to underwrite mortgage deposits for first time buyers, allowing individuals to purchase housing with only a 5% deposit. TWBC has allocated up to £1 million for this scheme, which is match funded by KCC. This is a government backed initiative and although the risks associated with this scheme are relatively low, the Finance & Governance Portfolio Holder considers that it is appropriate that it should feature in the strategic risk register at this point. The position (the risk) will be revisited as and when the take up of this initiative becomes known.

6. The risk register is a living document and is kept under review throughout the year and is amended when necessary to reflect changes in the risk environment. Risk reports are considered by Cabinet and Audit & Governance Committee throughout the year.

7. Each strategic risk identified is assessed, and detailed management action plans have been developed to manage these risks, named officers were assigned responsibility for the risks.
8. Action plans set out the target score for each risk to move to, and the actions being taken by management to manage/mitigate the risks together with details of the risk vulnerability. All action plans have previously been considered and agreed by Management Board and Cabinet (**Appendix C**). The action plans show the action that was previously agreed for 2012/13, so the plans shown are essentially 'looking back'. The responsible Heads of Service (risk owners) will shortly be asked to update their action plans for 2013/14.
9. **Appendix B** (Strategic Risk Profile) shows the current risk profile of strategic risks within the organisation. Each identified risk has been scored onto the risk matrix graph. The shaded top right hand area of the matrix represents the authority's highest risks.
10. The five highest risks for 2012-2013 are set out below:

Risk No.	Description	Score	Likelihood	Impact
CSR 02	Funding Streams	B2	High	Critical
CSR 03b	Joint Services	B2	High	Critical
CSR 04a	Organisational Resilience	B2	High	Critical
CSR 04b	Information & Communication Technology	B2	High	Critical
CSR 05	Political Environment	B2	High	Critical

11. Of the five risks that currently sit above the authorities risk tolerance threshold, no overall movement has occurred in the scores however amendments have been made to the action plans to reflect changes in the actions being taken to manage the risk. These have been reported previously to Committee.
12. The current Strategic risk register set out in (**Appendix E**) details the Risk rating/Risk description/Consequence and the risk owner.
13. Operational risk registers are to be developed as part of the service planning process together with the development of management action plans where appropriate. These are maintained and revised by services on an on-going basis throughout the year to reflect changing circumstances.
14. Risk management is incorporated into Cabinet pro-forma decision sheets that require risk to be considered as part of the decision process where appropriate.
15. A Partnership Guidance document is in place and requires risk to be considered and assessed as part of any key partnership decision.
16. Risk continues to be incorporated into project management arrangements in accordance with Prince 2 principles.
17. Risk management together with Business Continuity arrangements are taken into account as part of any significant contracts that the Authority is considering.
18. The authority has a performance management system (Covalent) which has a risk management module, which was developed to maintain/manage the authorities risk registers electronically. However, action would be required to bring the Covalent risk data up to date.

19. Periodic management reports are taken to Cabinet and Audit & Governance Committee to inform them of the actions taken by management to mitigate/manage corporate (strategic) risks.
20. Zurich Risk Management Services has recently been engaged by the Head of Audit Partnership to establish a process for creating risk management definitions based around 'scoring' the impact of a risk should it occur in practice. This followed a helpful suggestion from a member of the Audit and Governance Committee who has had considerable personal experience in business risk management.

WHAT IS THE ISSUE THAT REQUIRES A DECISION AND WHAT DOES THIS MEAN FOR THE PEOPLE OF TUNBRIDGE WELLS?

21. That the Audit and Governance Committee approves the arrangements for managing strategic risks set out in the report and to provide assurance that risks are being effectively managed.

WHO HAVE WE CONSULTED AND HOW? (OR WHO WILL WE CONSULT FOLLOWING THE DECISION?)

22. All risks have been reviewed by Management Board/Executive Members and considered by Audit & Governance Committee which receives periodic reports on risk management. The Heads of Service/Directors (the 'risk owners') are consulted in order to establish the actions that are being taken to manage the Strategic Risks.

HOW WILL THE DECISION BE COMMUNICATED?

23. Strategic Risks are communicated to Management Board, Cabinet and the Audit & Governance Committee.

CONCLUSIONS

24. The report meets the requirement to provide an annual report in accordance with the Risk Management Strategy, which is used to assist in the compilation of the Annual Governance Statement.

RECOMMENDATION - That Audit & Governance Committee notes the Annual Risk Management Report and approves the arrangements for managing strategic risks as set out in the report.

REASONS FOR RECOMMENDATION:

To provide assurance in relation to the control environment and inform the Annual Governance statement.

Contact Officer: Ian Cumberworth, Internal Audit Manager 01892 554020

Name of Director/Head of Service

Lee Colyer
Head of Finance & Governance

Background Papers

'None'

APPENDICES TO REPORT

APPENDIX A - Cross cutting issues
APPENDIX B - Strategic Risk Profile
APPENDIX C - Strategic Risk Management Action Plans
APPENDIX D - Risk Management Strategy
APPENDIX E - Strategic Risk Register