SURREY
COUNTY COUNCIL

AUDIT & GOVERNANCE COMMITTEE
24 June 2013

RISK MANAGEMENT ANNUAL REPORT

SUMMARY AND PURPOSE:

This annual risk management report has been produced to enable the committee to meet its responsibilities for monitoring the development and operation of the council's risk management arrangements.   It also presents the latest Leadership risk register.

RECOMMENDATIONS:

Members are asked to:
   a) consider the contents of this report and confirm they are satisfied with the risk management arrangements;
   b) approve the Risk Management Policy Statement and Strategy for inclusion in the Constitution (Annex C); and
   c) review the Leadership risk register (Annex D) and determine whether there are any matters that they wish to draw to the attention of the Chief Executive, Cabinet, specific Cabinet Member or relevant Select Committee.

INTRODUCTION:

1. The terms of reference of the Audit and Governance Committee include the requirement to monitor the effective development and operation of the council's risk management arrangements.

2. This report summarises the risk management activity since April 2012 and outlines future activity and development.

BACKGROUND:

3. The strategic lead for risk management for the majority of the year was split between the Assistant Chief Executive and the Strategic Director for Business Services.

4.   The Assistant Chief Executive chaired a Risk and Resilience Steering Group (RRSG) that brought together all elements of risk. Membership included risk practitioners[1], directorate risk leads and specific service representatives. Following a review of the strategic risk arrangements in February 2013, the Strategic Risk Forum (SRF) was re-established to ensure a continued focus on risk.

5.   The Council Risk and Resilience Forum (CRRF), jointly chaired by the Deputy Head of Emergency Management and Risk and Governance Manager, is made up of representatives who coordinate risk registers and business continuity plans for their service. The Health and Safety operations team, made up of service health and safety co-ordinators, meets quarterly and is chaired by the Deputy Head of HR. The risk management governance structure can be seen at Annex A.

6.   The Leadership risk register continues to be reviewed by Corporate Board on a monthly basis. The majority of service and directorate risk registers continue to be regularly reviewed by management teams.

KEY ACTIVITY SUMMARY:

7.   A summary of key risk activity is outlined below and Annex B shows more detailed activity that has taken place since April 2012.

Risk and Resilience Steering Group (to February 2013)

8.   The RRSG met four times in the period and the meetings focused on:
   • identifying and planning for potential impacts on business as usual during the Olympic period;
   • ensuring coordinated planning and communication for known events such as industrial action and drought;
   • impacts on the council due to changes to Public Health;
   • continuity of service during implementation of Making a Difference ie. staff moving out of Conquest House; and
   • reviewing the Leadership risk register.

Strategic Risk Forum (from March 2013)

9.   The SRF is chaired by the Chief Finance Officer and Deputy Director for Business Services, and membership consists of directorate risk leads, Risk and Governance Manager, Chief Internal Auditor, Deputy Head of HR and Organisational Development and Head of Emergency Management. The SRF is responsible for:
   • reviewing, challenging and moderating strategic director risk registers;
   • identifying and escalating common themes and issues;
   • making recommendations to the Corporate Board on changes to the Leadership risk register and key Health & Safety considerations.

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[1] Risk and Governance Manager, Senior Health and Safety Manager, Insurance Services Group Manager and representatives from the Emergency Management Team.

10. The SRF agreed its terms of reference at its inaugural meeting in April 2013 and also fully reviewed the Leadership risk register. At the meeting in May 2013, the key directorate risks were reviewed and the Leadership risk register was updated. Following both meetings, the Chief Finance Officer presented a risk update to Corporate Board that included proposed changes to the Leadership risk register. The SRF will meet quarterly, in line with the performance reporting timetable, with ad hoc meetings as required.

11. The re-establishment of the SRF has been seen as a positive step and the members are showing their commitment to the new arrangements through attendance at the SRF meetings, even at short notice. Corporate Board have also welcomed the renewed focus on strategic risk.

Operational risk groups

Council Risk and Resilience Forum

12. The CRRF meets formally twice a year and quarterly workshops are held to brief reps on current and emerging risks and update them on projects that are helping to improve resilience across the council. Each workshop focuses on a specific key dependency that impacts on services and desktop exercises are used to draw out inter-dependencies and identify any gaps in arrangements. Over the period the CRRF has worked on:
   - testing business continuity plans through exercises and workshops;
   - understanding business impact analyses and business continuity plans, particularly around ensuring the outputs are fed into risk registers and monitored;
   - understanding IT resilience and the impacts of the new data centre both during and post migration.

13. A new expectation set was been agreed by all members of CRRF to ensure a consistent understanding of roles and responsibilities. Feedback on the CRRF new way of working has been positive but attendance levels remain a concern.

Health and Safety operations team

14. The Health and Safety operations team has monitored health and safety events and information recorded by services in order to identify areas of best practice and ensure statutory reporting is completed promptly. They continue to review corporate guidance and arrangements such as the safe use of IT equipment, flexible working and wellbeing.

Risk Network

15. A risk network event was held in November 2012 for all officers involved in risk activity. Risk reps took part in an interactive 'risk challenge' to raise awareness of risk management and help them understand their role and responsibilities. Another event will be held in November 2013 to build on the work that has taken place throughout the year.

Business Continuity

16. A new e-learning business continuity package has been designed to deliver the key messages for staff around what business continuity is, how it is managed in Surrey County Council and what is expected of staff. The package is available to all staff through the Portal and takes approximately 25 minutes to complete. Take up and success rates will be monitored and reported through the appropriate channels.

17. The council's business continuity arrangements were reviewed by the Council Overview and Scrutiny Committee at their meeting on 17 April 2013. It was reported that business continuity had become embedded across the council, that the Emergency Management Team were consulted by services on a regular basis and that the business continuity approach had become more proactive over the past year.

ASSURANCE:

Internal audit review

18. Internal audit provides an annual independent assessment of the risk management arrangements. Initial findings from the 12/13 review highlight the absence of an up to date directorate risk register for Environment and Infrastructure, lack of implementation of the Risk Management Policy and out of date guidance on the S:net. The outcome of the 2012/13 review will be reported to the Committee at the September meeting.

Benchmarking

19. The council takes part in the risk management benchmarking club run by CIPFA (the Chartered Institute of Public Finance and Accountancy) and ALARM (the public risk management association). Data was submitted on 10 May 2013 for the 2012/13 financial year. The questionnaire is based on the ALARM National Performance Model for Risk Management and the draft results show that the council is at level 4 (out of 5) 'Embedded and Integrated.'

20. The output from the internal audit review and the benchmarking will be reported to the risk groups in order to develop action plans and monitor any improvement areas.

FOCUS FOR 2013/14:

Documents and guidance

21. The Risk Framework will be fully reviewed and updated to include risk escalation procedures and cross-referencing of risk registers. Relevant risk guidance will also be updated and appropriate referencing to other risk areas included.

Communication and awareness

22. Continue to clarify and improve understanding of the risk management policy statement and strategy, the risk framework, business continuity plans and templates and Health & Safety expectations through risk groups and strategic meetings, such as the risk network, the SRF and Corporate Board.

Risk registers

23. Work with the risk reps to improve co-ordination of the risk registers through clear referencing and ensuring cross-cutting risks are identified and monitored. Ensure the key risks identified via the business impact analyses, business continuity plans and Health & Safety reporting are included on risk registers and reported through the risk groups.

24. Monitor service risk registers on a quarterly basis and report on an exception basis to the SRF to ensure risk registers are updated and available to staff and members. Also ensure that the Environment and Infrastructure directorate risk register is finalised and published as this has been outstanding for over a year.

Snet and website

25. The risk management, business continuity and health & safety pages on the snet, although in the main are up to date, will be reviewed to ensure links and documents are available, easy to navigate and communicated.

26. The Risk and Governance Manager will endeavour to keep risk registers on the snet up to date and will also encourage the risk reps to take more responsibility by keeping risk registers on their own service snet pages.

RISK MANAGEMENT POLICY STATEMENT AND STRATEGY:

27. The risk management policy statement provides an overarching vision and direction for risk management (Annex C). The Risk Management Strategy has been updated and is attached at Annex D.

28. The policy statement was presented to the Committee last year but was never formerly implemented. The recent renewed focus on risk through the SRF will provide the appropriate leadership to enable full implementation and communication of the policy statement and strategy.

LEADERSHIP RISK REGISTER:

29. The Leadership risk register (Annex E) is owned by the Chief Executive and shows the council's key strategic risks.

30. The key changes made to the Leadership risk register during 2012/13:
    - the finance risk was split into Future Funding (L14) and Medium Term Financial Plan (L1);
    - the Business Continuity and Emergency Planning risk (L3) residual risk level was reduced from high to medium;
    - a new risk was included on Welfare Reform (L15); and
    - the Major Change Programme risk (L2) was updated to focus on staff.

    Risks that have been deleted:
    - 2012 command, control, coordination and communication (L13)
    - Learners with learning difficulties and disabilities (LLDD) budget transfer (L12)
    - Resource allocation system in Adults personalisation (L6)
    - 2012 project management (L10).

IMPLICATIONS:

Financial

31. Ineffective risk management arrangements may lead to increased costs or inefficiencies due to poor controls or lack of timely action.

Equalities

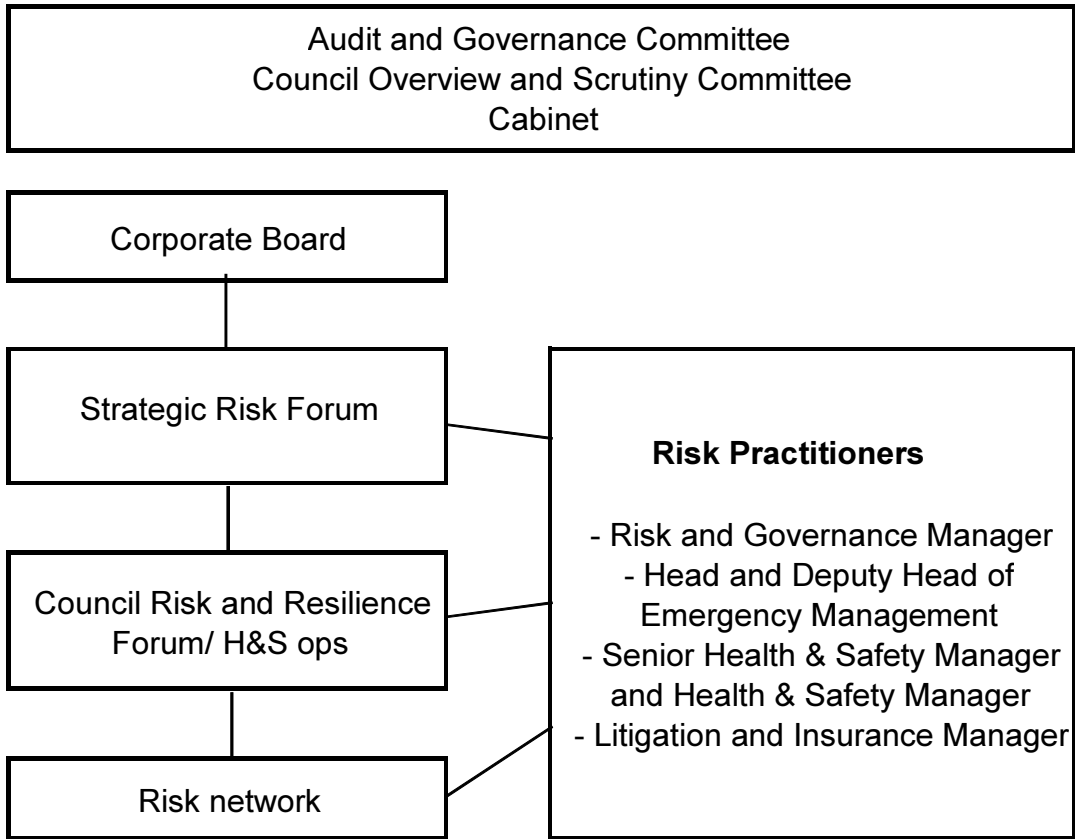32. There are no direct equalities implications of this report.

Risk management

33. Embedded risk management arrangements will lead to improved governance and effective decision-making.

REPORT AUTHOR: Cath Edwards, Risk and Governance Manager

CONTACT DETAILS: 020 8541 9193 or cath.edwards@surreycc.gov.uk

Sources/background papers: Risk Management half year report, agendas and minutes.

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│           Audit and Governance Committee          │
│       Council Overview and Scrutiny Committee     │
│                     Cabinet                       │
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┌─────────────────────┐
│   Corporate Board    │
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┌─────────────────────┐     ┌────────────────────────────────┐
│ Strategic Risk Forum │     │        Risk Practitioners        │
└─────────────────────┘     │                                  │
                            │  - Risk and Governance Manager   │
┌─────────────────────┐     │   - Head and Deputy Head of      │
│ Council Risk and     │     │      Emergency Management        │
│ Resilience           │     │  - Senior Health & Safety Manager│
│ Forum/ H&S ops       │     │    and Health & Safety Manager   │
└─────────────────────┘     │ - Litigation and Insurance Manager│
                            │                                  │
┌─────────────────────┐     │                                  │
│    Risk network      │     └────────────────────────────────┘
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SCC risk management policy statement

Risk management strategy & framework   Health and Safety policy
Emergency Management & Business Continuity policy

Business continuity plans / Business impact analysis
     Risk assessments   Risk registers

Strategic risk meetings:
- Risk and Resilience Steering Group (April - February)
- Strategic Risk Forum (From March)

Operational risk meetings:
- Bi-annual Council Risk and Resilience Forum meetings
- Quarterly Health & Safety operations team meeting
- Quarterly Central Joint Safety Committee meetings

Risk reporting:
- Leadership risk register reported to Corporate Board (monthly), Audit and Governance Committee and Cabinet (quarterly)
- Business continuity report to Council Overview and Scrutiny Committee

Training and events:
- Risk network event
- Council Risk and Resilience Forum quarterly workshops
- Olympic business continuity workshops
- New business continuity e-learning package developed
- Activities and training during Business Continuity Awareness Week

Support and integration:
- Regular meetings with directorate and service risk representatives
- Meetings with colleagues from Policy & Performance and Change Team
- Business continuity exercises
- Supported health and safety service training courses
- Business continuity exercise worksheets disseminated to services and summary sheet produced
- Business resilience reviews with IMT, Public Health and Property from January 2013
- Business continuity surgeries
- New business impact analysis and business continuity plan templates developed and launched through CRRF

One County One Team, Risk Management Policy Statement   Annex C

Introduction

The vision for risk management is to maximise opportunities and minimise exposure to ensure the residents of Surrey remain healthy, safe and confident about the future.

How successful the council is in dealing with the risks it faces can have a major impact on the achievement of our key priorities, goals and service delivery to the community. The Risk Management Strategy supports and underpins the council's Corporate Strategy: One County One Team, and the six key areas of focus - residents, value, partnerships, quality, people and stewardship.

The focus of good risk management is the identification and treatment of risks and opportunities. It increases the probability of success and reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process, which runs throughout the council's strategies and service delivery.

Learning lessons from past activities helps inform current and future decisions by reducing threats and optimising the uptake of opportunities. Celebrating and communicating successful risk management in turn encourages a more bold but calculated approach.

Risk Management principles

The council's approach to risk management is built on the following principles:

- Alignment with objectives
  Enhancing opportunities for success and eliminating or minimising the threat of failure will enable the council to determine risk appetite and tolerance levels to support the achievement of objectives.

- Clear guidance
  Effective management of risk is encouraged through an open and transparent approach that is suitably resourced and consistently applied.

- Informs decision making
  Risk information is used to objectively inform decision-making and the achievability of desired outcomes.

- Achieves measurable value
  Benchmarks and measures are used to monitor and report on how risk management contributes added value to the organisation.

- Facilitates continuous improvement
  Significant events and incidents are reviewed to ensure lessons are learnt and actions for improvement are identified and implemented.

Benefits

The following benefits are realised through the above principles:

- Improved organisational resilience
- Proactive management
- Improved identification of threat and opportunity events
- Enhanced health and safety performance
- Improved governance
- Stakeholder confidence and trust

Realisation

The realisation of the principles and benefits will be achieved through the operation of the council's risk approach and arrangements.

The Risk Framework contains specific information on the council's risk arrangements and the risk process and procedures.

Compliance with these documents will ensure that the council achieves excellence in its approach to and management of risk.

Risk Management Strategy

1. Introduction

1.1 Risk management is an integral part of good management practice and a key part of corporate governance. This strategy outlines the arrangements put in place to ensure the council identifies and deals with the key risks it faces.

1.2 The council has adopted proactive risk management arrangements to enable decisions to be based on comprehensively assessed risks, ensuring the right actions are taken at the right time.

1.3 How successful the council is in dealing with the risks it faces can have a major impact on the achievement of its key strategies, priorities and service delivery to the community. The Risk Management Strategy helps to support and underpin the council's corporate strategy, One County One Team.

2. Objectives

2.1 The objectives of this strategy are to:
- Fully integrate risk management into the culture of the Council and its strategic and service planning processes;
- Ensure that the risk management framework is implemented and understood by all staff who have a direct operational responsibility for managing risk;
- Communicate the Council's approach to risk management to stakeholders;
- Ensure the benefits of risk management are realised through maximising opportunities and minimising threats;
- Ensure consistency throughout the Council in the management of risk.

3. Risk Management

3.1 The focus of good risk management is the identification and treatment of risks. It increases the probability of success and reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process, which runs throughout the Council's strategies and service delivery.

3.2 Learning lessons from past activities helps inform current and future decisions by reducing threats and optimising the uptake of opportunities. Celebrating and communicating successful risk management in turn encourages a more daring but calculated approach.

4. Integrated Risk Management

4.1 In order to create an integrated risk management culture that is embedded into medium term planning, a collaborative approach to risk is undertaken. Service plans, financial budgets and risk registers are developed using a five-year business planning cycle and these are regularly reviewed using an iterative process.

4.2 There are a number of levels of risk register:
- Leadership risk register – owned by the Chief Executive
- Directorate risk registers – owned by individual Strategic Directors
- Service risk registers – owned by individual Heads of Service.

5. Roles and responsibilities

5.1 All employees and members involved in managing risk should be aware of their risk management responsibilities. However, the ultimate responsibility for risk management lies with the Leader of the Council and the Chief Executive.

5.2 Responsibilities for risk management are shown in the table below.

ROLE	RESPONSIBILITIES
The Cabinet	• Overseeing effective risk management across the council. • Ensuring that key risks are identified, effectively managed and monitored. • Appointing a member risk champion.
Portfolio Holders	• Ensuring that risks within their portfolio are identified and effectively managed through discussions with Strategic Directors and Heads of Service. • Facilitating a risk management culture across the council. • Contributing to the Cabinet review of risk and being proactive in raising risks from the wider Surrey area and community.
Members of Select Committees	• Monitoring and challenging key risk controls and actions. • Facilitating a risk management culture across the council.
Audit & Governance Committee	• Providing independent assurance to the council on the effectiveness of the risk management arrangements.
Corporate Leadership Team (CLT)	• Ensuring effective implementation, monitoring and review of the council's Risk Management Strategy. • Identifying and managing the key risks facing the council and owning risks and action on the Leadership risk register • Ensuring regular review of the Leadership risk register as part of wider council performance
Strategic Directors	• Ensuring that risk management within their directorate is implemented in line with the council's Risk Management Strategy. • Ensuring that risks within their directorate are identified and effectively managed by owning their Directorate risk registers • Ensuring regular review of directorate risk registers as part of wider council performance. • Challenging Heads of Service on relevant risks relating to their services. • Proactively raising risks issues at CLT and with Portfolio Holders
Heads of Service	• Ensuring that risk management within their service is implemented in line with the council's Risk Management Strategy. • Owning their Service risk register and identifying risks arising from their areas of responsibility and prioritising and initiating action on them. • Ensuring regular review of their Service risk register as part of wider Council performance. • Reporting to Strategic Directors on any perceived new risks or failures of existing control measures. • Supporting and having a regular dialogue with their dedicated risk champion. • Challenging risk owners and actions to ensure that controls are being put in place and monitored.
Managers	• Communicating the risk management arrangements to staff. • Co-operating and liaising with the risk champion.

	• Taking accountability for actions and reporting to their Head of Service. • Reporting any perceived new risks or failure of control measures to their manager.
Staff	• Assessing and managing risks effectively in their job and reporting risks to their manager.
Risk and Governance Manager	• Co-ordinating and facilitating the implementation of the risk management arrangements. • Moderating and challenging risks across the organisations. • Providing training and communication. • Centrally holding and publishing all council risk registers. • Facilitating the review and challenge of the Leadership risk register.
Strategic Risk Forum	• Reviews Directorate risk registers through challenge and moderation; • Makes recommendations to the Corporate Board on changes to the Leadership risk register and key Health & Safety considerations; • Identifies and escalates common themes and risk management issues across the council; • Promotes the sharing of learning and best practice on risk management; • Considers information and recommendations from the Council Risk and Resilience Forum.
Internal Audit Team	• Auditing the Council's risk management process. • Using risk information to inform the annual internal audit plan. • Ensuring that internal controls are robust.

5.3 Other officer groups deal with specific areas of risk management and these include the Health & Safety operations team and the Council Risk and Resilience forum. These groups are represented on the Strategic Risk Forum so that their work can be coordinated with the overall management of the risks facing the council.

6. Risk Management framework

6.1 Effective risk management requires an iterative process of identifying, measuring, managing and monitoring risks.

Risk Identification

6.2 Cabinet Members, the CLT, Heads of Service and managers continually undertake risk identification as part of strategic and service planning and delivery. Focus for risk identification should be at a level that is material to strategic / service objectives, targets and service sustainability.

Risk Assessment

6.3 Risk assessment ensures that risks are judged on a uniform scale across the organisation, enabling risks to be objectively scored and compared across services.

6.4 The outcome of service level risk assessment is the categorisation of risks according to their impact (financial, service level, reputation) and likelihood. It assesses the relative importance of the identified risks so as to allow risk owners, where necessary, to prioritise action to mitigate them.

6.5 The output from the risk assessment is a consolidated risk register. The total risk scores are assigned into bands (red, amber or green) according to the severity of the risk.

Risk Control and reporting

6.6 Actions to address significant risks need to be specified and regularly reviewed. These mitigating actions should be focused on reducing the impact or likelihood of risks.