

Meeting: Audit Committee

Portfolio Area: Resources

Date: 16th January 2007

STRATEGIC RISK REGISTER

(Corporate Support)

KEY DECISION

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1 PURPOSE

1.1 To note the latest Strategic Risk Register for Stevenage Borough Council.

2 RECOMMENDATIONS

2.1 That the attached Strategic Risk Register be noted (Appendix A).

3 BACKGROUND

3.1 Risk Management has been adopted by both the private and public sectors in recent years. This is partly in response to high profile business failures in the private sector and various public sector scandals particularly in Social Services and Education.

3.2 Effective Risk Management enhances the Council's ability to:

- Deliver strategic and operational objectives successfully
- Safeguard the Council's assets
- Protect the Council's reputation
- Adhere to best practice guidance / surpass CPA requirements

3.3 It should be noted however that no risk management process would be able to identify and mitigate all risks that an organisation faces. Furthermore some studies have indicated that up to 50% of potential risks are not known about at any one time

3.4 A number of recommendations to improve the Council's systems for managing risk have been made; District Audit Management letter on the Best Value Performance Plan, Comprehensive Performance Assessment Inspection and most recently as part of the CPA Use of Resources review.

3.5 A complete review of the Council's approach to Risk Management was undertaken in the summer of 2005. This review included consultation with other Local Authorities, CIPFA's consultancy arm and an expert on risk management from the Council's insurance brokers.

3.6 Risk Management training was provided for key Officers by our Insurance brokers in February 2006.

3.7 **Types of Risk**

3.7.1 Risk can be categorised in many different ways. The Council intends to use the following 2 categories:

- **Strategic risk** - risks affecting the medium to long term Ambitions and Priorities of the Council (including political, economic, social, technological, legislative and environmental factors)

- **Operational risk** - risks encountered in the course of the day to day running of services (including professional, legal, financial and contractual matters)

3.8 It should be noted that these categories are not mutually exclusive. The purpose of categorising risk is to ensure that risk is considered across a broad range of issues.

3.9 It should also be noted that there is a clear link between some of the risks identified on the Strategic and Operational registers and those identified during the recent Business Continuity Project. Where this is the case the work being carried out as part of the Business Continuity project to put effective plans in place will be cross referenced to the risk registers.

4 **REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

4.1 Members to note the latest Strategic Risk Register and raise any questions as appropriate.

4.2 **Roles and Responsibilities**

4.2.1 Risk Management is a key aspect of corporate governance and it is, therefore the responsibility of the Executive to agree the risk management strategy. However, responsibility for the ongoing development of Corporate Risk Management at member level will lie with the Audit Committee.

4.2.2 Officers are responsible for identifying risks, effecting mitigation strategies and monitoring the risk registers. Although the Chief Executive will be responsible for risk management corporately, it is the responsibility of Heads of Service and 1st Reports to actively identify and manage risks within their areas of responsibility.

5 **IMPLICATIONS**

5.1 **Financial Implications**

5.1.1 An effective approach to risk management, in line with best practice, will further strengthen the Council's sound base of strong financial management and internal

control and should assist in ensuring that, where possible, potential financial implications associated with individual risks can be successfully mitigated.

5.2 Legal Implications

There are no legal implications identified at this time.

BACKGROUND DOCUMENTS

- The Risk Management Strategy can be viewed in the Members library

APPENDICES

- A – 2006/07 Q3 STRATEGIC RISK REGISTER
- B – OUTLINE METHODOLOGY TO MANAGING RISKS

APPENDIX B - OUTLINE METHODOLOGY TO MANAGING RISK

How we manage risk

		Likelihood				
		Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)
I M P A C T	Catastrophic (5)	5 ↑	10 ↑↑	15 ↑↑	20 ↑↑↑	25 ↑↑↑
	Major (4)	4 =	8 ↑	12 ↑↑	16 ↑↑↑	20 ↑↑↑
	Moderate (3)	3 =	6 ↑	9 ↑	12 ↑↑	15 ↑↑
	Minor (2)	2 =	4 =	6 ↑	8 ↑	10 ↑↑
	Insignificant (1)	1 =	2 =	3 =	4 =	5 ↑

Level of Risk Indicated by How the risk should be managed

Very High Risk Red ↑↑↑ Requires Active Management

High Risk Amber ↑↑↑ Requires robust contingency plans & early warning mechanisms

Medium Risk Yellow ↑ Requires good housekeeping & some mitigation to reduce likelihood

Low Risk Blue = Requires periodic review to ensure conditions remain unchanged

The diagram above measures the organisations exposure to risk which is defined as being the relationship between the likelihood of a risk occurring and its impact. The model provides the basis for prioritising risks.

All risks require active management but the form and frequency of action depends on the severity of the risk.

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