Report To:	Corporate Governance Committee
Date of Meeting:	23rd March 2016
Lead Member / Officer:	Julian Thompson Hill – Lead Member Finance & Performance Alan Smith – Head of Business Improvement & Modernisation
Report Author:	Alan Smith
Title:	**Risk Management for Well Being of Future Generations Act**

1. What is the report about?

The report explores the changes required in the way we manage risk in the Council.

2. What is the reason for making this report?

In order to comply with the Well-being of Future Generations Act the Council needs to review the way it manages risk. This report explores some of the issues this change raises for the Council, and considers its potential impact on the Corporate Risk Register.

3. What are the Recommendations?

There are no recommendations. The report is for information and discussion.

4. Report details

The Well-being of Future Generations Act includes far reaching changes to the way the Council is required to conduct its business. For example, it will be required in future to demonstrate how it is contributing to the seven aims by publishing annual Well-being objectives. More fundamental is the expectation that the Council will change the way it makes decisions by taking into account the five Sustainable Development Principles: Long term; Prevention; Integration, Collaboration, Involvement.

The first of these – long term – creates a particular challenge for risk management. Under the terms of the Act, long term means around 35 years or longer. Whilst we have a robust system of corporate risk management in place in the Council, in practical terms, this works to a short term horizon of 2 to 3 years, or at least, not longer than the 5 year duration of the Corporate Plan, so to assess long term risks will take a new approach.

Risks can broadly be divided into short term ‘operational’ and long term ‘strategic’. A short term risk view will continue to be required where we need to manage the delivery of plans, the Corporate Plan for example. These are necessarily short term and relate to a known set of objectives and activities. Our current risk management methods will continue to be effective here.

However, strategic risks such as those envisaged by the Act, are not only long term, but are really ‘community risks’ shared by the population as a whole. The risks from obesity, an ageing population or climate change for example, need to be managed collectively. They are not within the control of the Council, or even the Public Sector as a whole; the community will be part of the solution as well as part of the problem, hence the importance placed on engagement in the WBFG Act. Engagement in this sense means much more than just asking people what they think, it is about getting them to accept ownership of a risk. Strategic partnerships will be part of this picture too and will also have to adopt a collective model of risk ownership.

Strategic long term risks are complex to understand and to manage - there will need to be a willingness to review policy decisions in the light of changing evidence. What is the right answer now, may not be the right answer in the future. So a focus on the risks to achieving desired outcomes will enable a process of modifying inputs and outputs in the face of changing circumstances.

Managing long term strategic risks will require some new ways of doing things, because longer term inevitably means greater complexity and uncertainty. To define these further:

- ‘Complexity’ in this sense involves two or more puzzling choices and where the solution can cross disciplines;
- ‘Uncertainty’ means the inability to predict exactly what will happen and that there will be surprises.
- ‘Risk’ concerns known outcomes for a given event, which can be assigned probabilities. Normally the decision maker has historical data upon which to estimate those probabilities

However in the case of long term strategic risk, where there is considerable uncertainty, the outcomes are too unsure to be given probabilities. Because the decision maker has no or very limited historical data upon which to estimate probabilities, intelligent guesses are required instead.

Dealing with uncertainty involved in this process will require the use of a ‘range’ of possibilities within agreed tolerances. For example, we might predict that the proportion of people who are obese in the year 2025 will range from 10% to 45% of the population based on current trend information. Any mitigations or controls we plan to put in place to manage this risk should be tested for effectiveness across the range that we think possible. So, planning to establish an obesity specialist advisor attached to each GP surgery might be helpful at the 10% end of the spectrum, but would be insufficient to deal with a situation where 45% of the population was obese. Other measures would be required.

So, mitigating actions for these complex risks are likely to include a range of options to fit with the range of possible outcomes. This thinking will be supported by scenario planning, where possibilities across a range of interdependent factors are modelled. In the case of the obesity risk used above, lots of things might influence the trend, for example, the imposition of a ‘sugar tax’ might reduce the uptake of unhealthy sugary drinks. Alternatively (or as well) the closure of leisure facilities might make exercise harder. Scenario planning would attempt to identify this range of possible ‘worlds’ in the future and help us to think how to manage the risks they appear to present.

Implicit in the new Act is that **all** decision making should be qualified by the time frame that is affected. Does a decision impact the next few weeks (e.g. date of a meeting), the next 10 years (e.g. quality of a new kitchen in a Council House), the next twenty years (e.g. school exam achievement) or 35 years (e.g. a new town, like Bodelwyddan). The weight and consideration we give to risks associated with decisions needs to reflect their impact timescale. Describing risks as things that will affect our Children or our Grandchildren is an effective way to think about it.

We can be confident that our current operational risk process is fit for purpose; the larger task is now to start to develop the tools and techniques that will help us model the future better than we do now. As a Council we are working with partner Authorities to develop a method of impact assessment that will help with this thinking. We are also trialling community based resilience work that is intended to promote both long term thinking and constructive engagement on shared problems (People to People in Llangollen). Further work will develop as we start to use the 5 Sustainable Development Principles.

5. How does the decision contribute to the Corporate Priorities?

No decision is required here, but the report is intended to support the work of the committee in ensuring that the Council's risk governance is both effective and complies with legislation.

6. What will it cost and how will it affect other services?

There are no immediate costs identified for any Service. However, the requirement to change the way we think about risk will affect all Services.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

That the report has no Equality Impact implications.

8. What consultations have been carried out with Scrutiny and others?

n/a

9. Chief Finance Officer Statement

Not required.

10. What risks are there and is there anything we can do to reduce them?

There is a reputational and regulatory risk for the Council if we fail to meet the requirements of the Well-being of Future Generations Act.

11. Power to make the Decision

No decision is required.