REPORT TO:	**AUDIT AND STANDARDS COMMITTEE**
DATE:	**9 MARCH 2016**
TITLE:	**RISK MANAGEMENT REPORT**
LEAD OFFICER:	**SIMON FREEMAN, HEAD OF FINANCE (01279) 446228**

RECOMMENDED THAT:

A   the Committee agrees the Council's risk appetite.

INTRODUCTION

1. The Audit and Standards Committee's terms of reference includes the responsibility to monitor the effective development and operation of risk management and corporate governance in the Council.

2. The Council's Risk Management Strategy, previously agreed by the Committee, states that the responsibility of the Audit and Standards Committee is to "*understand, scrutinise, and endorse the Council's risk management strategy and monitor the Council's risk appetite.*"

NEW CORPORATE RISK REGISTER

3. At its November 2015 meeting the Audit and Standards Committee endorsed the revised corporate risk register and approved the new format.

4. As a reminder, the new risk register has been enhanced in the following ways:

   - Each risk is explicitly linked to a corporate objective and each of the five corporate objectives are represented as well as the guiding principle on sound resource management.

   - Each risk is articulated in a single sentence but is supported through detailed background narrative and the likelihood and impact columns.

   - The risk score has been split into:

      o   Inherent risk score – before controls are put in place;

      o   Residual risk score – effect on likelihood and impact following the introduction of controls; and

      o   Foreseeable risk score – where we see the risk score will be in future, based on our knowledge of internal and external factors and implementation of the additional actions identified it in the latter column.

   - The use of the four 'Ts' in the Additional Actions column when considering how to address a risk.

- o Tolerate – do nothing special and continue as planned. The ability to do anything may be limited or the cost of taking action may be disproportionate to the potential benefit gained.
- o Treat – introduce control procedures to increase the chance of success.
- o Transfer – share the exposure of risk with insurance or a contractor. The relationship with a contractor needs to be carefully managed as it may not be possible to fully transfer all risks and some aspects might remain such as reputational risk.
- o Terminate – withdraw from the activity if possible.

5. The corporate risk register continues to be reviewed on at least a quarterly basis by CMT/HoS, who also continue to monitor any cross cutting or strategic risks contained in service plans. Risks scoring 20 or higher are presented to Cabinet within the quarterly Joint Finance and Performance Report.

6. The Corporate Risk Register is brought to each Audit and Standards Committee meeting for scrutiny and challenge.

7. The revised Risk Register format is being built into the new service planning and risk management system, which is currently being trialled. This database will also hold the Corporate Risk Register and ensure linkages with operational risks, corporate objectives and performance management information and will allow for more detailed reporting to the Audit and Standards Committee.

SUMMARY OF KEY RISKS, FEBRUARY 2016

8. The Corporate Risk Register (Appendix A) was reviewed by CMT/HoS at the beginning of February 2016. There were no proposed amendments to the Risk Register made but it will continue to be reviewed on a regular basis.

9. Good practice is for the Audit and Standards Committee to focus on one or two key risks at each of their meetings, ensuring all risks are covered within an acceptable cycle of meetings. As agreed at the last meeting, the focus this time will be on Corporate Risk CR6 regarding a clean and green environment; the narrative of which from the Risk Register is presented in an easier to read format as Appendix B.

10. Existing procedures and processes are currently ensuring that Risk CR6 is well managed. This can be borne out through the last Joint Finance and Performance report which went to the Cabinet in December 2016 where financial control has been good for the first two quarters and there were no indicators from the current quarter results pointing towards areas of concern.

11. The Committee should satisfy themselves that the supporting narrative, associated risk scores, and risk mitigation strategies (controls and action plan) are appropriate or request further information.

RISK APPETITE

12. The Risk Management Group, chaired by the Head of Finance, received in October 2015 a proposal on how to better define the Council's risk appetite based on a training course attended by the Internal Audit Manager in July 2015. This was run by Amberwing, who has previously helped Harlow District Council develop its risk management framework.

13. Risk appetite can be defined as 'the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives' and its purpose:

    - Helps unlock value by better aligning decision making and risk and sets the tone for the Council's risk culture.

    - Is more than just a set of benchmarks; it is also a means of communication across interested stakeholders on the Council's willingness and capacity to take on risk.

14. The risk appetite statement for the Council is based on facilitated discussions with CMT/HoS and Third Tier Managers and a consensus was arrived at on the overall risk appetite for the Council.

15. The Council's proposed risk appetite statement is detailed in Appendix C for Audit and Standards Committee discussion and approval.

CONCLUSION

16. This is the second time that the Committee has seen the new Corporate Risk Register and introduces a mechanism for Committee challenge by looking at a key risk in detail at each meeting.

17. It has also set out the Council's risk appetite for Committee approval.

IMPLICATIONS

Place (includes Sustainability)
None specific.
Author: **Graeme Bloomer, Head of Place**

Finance (includes ICT)
Any specific implications are set out in the report.
Author: **Simon Freeman, Head of Finance**

Housing
None specific.
Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)
None specific.
Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)
Risk Management is an important part of the council's overall governance arrangements and this is why the Audit and Standards Committee needs to consider the adequacy of overall arrangements on a regular basis.
Author: **Brian Keane, Head of Governance**

BACKGROUND PAPERS

Corporate and service risk registers.

Risk Management Strategy and Toolkit.

Glossary of terms/abbreviations used

CMT – Corporate Management Team.

HoS – Heads of Service.

Appendix

Appendix A – Corporate Risk Register.

Appendix B – Corporate risk CR6.

Appendix C – Risk Appetite.