

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **4 MARCH 2020**

TITLE: **RISK MANAGEMENT REPORT**

LEAD OFFICER: **STUART MOSELEY, INSURANCE AND RISK
MANAGER (01279) 446215**

RECOMMENDED that:

- A** The Committee notes Senior Management Board revisions to the corporate Risk Appetite General Statement.
- B** The Committee notes the amended Risk Rating Matrix which further defines impact ratings by type of risk.
- C** The Committee notes the introduction of risk appetite definition thresholds in respect of risks reported to Senior Management Board for review.
- D** The Committee approves the updated Risk Strategy Version 3.1, as set out in Appendix 3 to the report, which includes the amended Risk Matrix and revised 'Risk Appetite' section.

BACKGROUND

- 1. The Audit and Standards Committee's terms of reference includes the responsibility to monitor the effective development and operation of risk management within the Council.
- 2. The Council's Risk Management Strategy agreed by the Committee in November 2018 states that the responsibility of the Audit and Standards Committee is to:
 - a) Monitor the effective development and operation of risk management in the Council.
 - b) Understand, scrutinise, and endorse the Council's risk management strategy and monitor the Council's risk appetite.

RISK APPETITE

- 3. The Council recognises that there are risks involved in everything it does and that it has a duty to manage these risks in a balanced, structured and cost-effective way. Risk cannot be totally eliminated and may at times need to be embraced as part of an innovative approach to problem solving and achieving best value.

4. The Council's attitude to risk is to operate in a culture of creativity and innovation, in which key risks are identified in all areas of the business and the risks are understood and managed, rather than avoided.
5. By deploying a risk appetite framework these risks can be identified and quantified in a structured way that relates them to the Council's business objectives and strategy. A properly embedded risk appetite framework allows the Council to choose to take on particular amounts of particular risks, in line with the Corporate Plan rather than by passive risk-taking.
6. A risk appetite framework also promotes joined-up risk management, facilitating top-down direction from the Senior Management Board (SMB) and bottom-up from services through the reporting of risks.
7. Having a properly embedded risk appetite framework encourages pro-active risk management by prompting the following questions:
 - a) 'Where is our risk profile changing most quickly?'
 - b) 'What are the significant changes to the environments in which the Council operates?'
 - c) 'Have we properly understood how to map our Corporate and Service objectives to our risk objectives?'
 - d) 'If there were to be a breach of our risk appetite limits, what would be the management actions that could bring the measure back within appetite?'
 - e) 'Have the limits and triggers been calibrated well enough so that those actions would have enough time to take effect?'
8. On 5 February 2020 a workshop was carried out with SMB, facilitated by the Insurance and Risk Manager and the Internal Audit Manager. The purpose of the workshop was to further develop the Council's risk appetite statements and to set values for the risk appetite definitions, against which corporate priority risks can be measured.
9. The Council's Risk Appetite General Statement is set out in Appendix 1 to the report, the Risk Appetite Definitions in Appendix 1A and the Risk Appetite by Corporate Priority in Appendix 1B to the report. Three revisions have been made to Risk Appetite by Corporate Priority:
 - a) Regeneration and a thriving community risk appetite has been revised from 'Open' to 'Hungry' to reflect the Council's drive for regeneration of the town
 - b) Being a community leader risk appetite has been revised from 'Moderate' to 'Open' to better reflect the Council's stance to lead and promote the needs of Harlow

- c) Equalities and Fairness remains, on the advice of Head of Governance, as 'Moderate' and the narrative has been strengthened to reflect the Council's need to operate within a statutory framework.

RISK RATING MATRIX

10. During the 5 February 2020 workshop carried out with SMB, an updated Risk Rating matrix was presented for approval. The updated matrix is set out in Appendix 1 of the revised appended Risk Strategy V3.1 set out in Appendix 3 to the report.
11. The new Risk Matrix provides more detail regarding impact ratings for types of risk. For example, when assessing impact for financial risk, the matrix provides detail of the monetary loss or overspend that would constitute the various levels of financial impact.
12. The enhancement to the Risk Matrix is expected to help risk managers across the Council better evaluate level of risks.

RISK REPORTING

13. Risks which have a risk score of 20 or above are reported in the Council's quarterly Joint Finance and Performance Report.
14. However, SMB have also set internal reporting thresholds for corporate priority risk appetite definitions to be applied from 4th Quarter 2020. Each risk appetite definition from 'Adverse' to 'Hungry' has been assigned a risk score which corresponds to risk appetite. The risk appetite definition thresholds are shown in Appendix 2 to the report.
15. This means that risks associated with a particular corporate priority or guiding principle will be referred to SMB for review if they reach or exceed the risk appetite threshold.
16. SMB will regularly review risk appetite thresholds to ensure they meet risk reporting expectations and that risks are being referred for review at the appropriate level.

SUMMARY OF KEY RISKS

17. Corporate risks scoring 18 or higher are reported to SMB and are identified in the Corporate Risk Register. These are set out in Appendix A to the report. Please note as contained within this report that from 4th Quarter 2020, risks will be reported to SMB based on the risk appetite definition thresholds agreed in January 2020.
18. Risks scoring 20 or higher will continue to be reported to Cabinet as part of the regular Joint Finance and Performance Report. As at 31 December 2019 there were no risks falling into this category.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

None specific

Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive

Housing

None specific

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes 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, therefore the Audit and Standards Committee should consider the adequacy of overall arrangements on a regular basis.

Author: Simon Hill, Head of Governance

Appendices

Appendix 1 – Risk Appetite General Statement

Appendix 2 – Risk Appetite Reporting thresholds

Appendix 3 - Draft updated Risk Strategy Version 3.1

Appendix A – Strategic Risks with Residual Score between 18 and 25

Glossary of Terms/Abbreviations Used

SMB – Senior Management Board