

**REPORT TO:** **AUDIT AND STANDARDS COMMITTEE**

**DATE:** **25 NOVEMBER 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 Strategic Risks and risk scores as at 30 September 2020 as set out in Appendix 1 to the report.
- B** The Committee notes variations between residual risk scores and agreed risk appetite threshold levels together with current and future risk controls.

**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 – amended to Version 3.1 in March 2020 - 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.
3. In order to facilitate monitoring of risks against risk appetite, risk appetite threshold levels are required to determine risk score trigger points for each risk appetite definition. This provides a defined risk score against which risk owners can monitor and manage their risks.
4. In March 2020, the Audit and Standards Committee agreed risk appetite threshold levels proposed by the Council's Senior Management Board (SMB) and agreed to raise threshold for 'Clean and Green Environment' risks from moderate to hungry. Risk Appetite Definitions and agreed threshold levels are shown in Appendix 3 to the report, which includes risk appetite definition for the new corporate priority 'Resilience and Recovery'.

## STRATEGIC RISKS UPDATE AS AT 30 SEPTEMBER 2020

5. In July 2020, a risk workshop was undertaken with the SMB to ensure the Council's Strategic Risks were still satisfactorily aligned with the Corporate Plan Priorities and Principles.
6. Appendix 1 details the Council's Strategic Risk Register as amended in July 2020 together with risk scores as at 30 September 2020.
7. It was agreed that Risk 'CR05 - Inability to fulfill Community Leadership role' should be amended into two parts:
  - a) CR05 Linked to priority 'Wellbeing and Social inclusion': Community Wellbeing risk – health, crime, heritage
  - b) New risk CR10 linked to principle 'Being the Community Leader': strategic risk relating to climate, lobbying, town centre award, high street funding. It was agreed this risk should be owned by the Chief Executive
8. Risk 'CR03 – Lack of Suitable Housing Mix' has been amended to 'CR03 - Lack of suitable housing numbers and mix of housing'. It was agreed that CR03 previously did not fully reflect the issue since it is about lack of suitable housing growth and mix of housing. The amendments are now felt to better reflect the risk around supply and demand for an evolving community.
9. It was agreed there was crossover between 'CR06 - Lack of Resources and Capacity, Council and key partners' and 'CR09 - Provision of repairs, maintenance landscape and street scene services' which both link to priority 'Clean and Green Environment'. CR09 also links to priority 'More and Better Housing'. It was agreed to further separate the two risks so that the two Heads of Service are not reporting on the same thing. It was also agreed these risks are strictly about service delivery, not the organisations involved in that delivery.
10. The principle 'Equalities and Fairness did not have a strategic risk so a new risk 'CR08 - Equality and Diversity' has been created which includes reference to modern slavery, living wage, diversity, resident involvement in decision making and transparency and will tie in to the corporate equality policy.
11. It was agreed that risk 'CR08 - Information Governance and Data Compliance' is not a strategic risk but should be recorded at service operational level. This has therefore been replaced with the new Equality and Diversity risk as detailed above in this report.
12. The old risk CR08 was previously reflected against a priority named as 'Discharge of Statutory Duties'. It was reflected that there is a need for discharge of statutory duties as a priority in the Corporate Plan and to document the associated risks. For example, Development Management has specific government targets on processing planning applications. Planning powers could be removed from council if not complied with. There are similar targets and

statutory compliance across Services not currently reflected in the risk register or Corporate Plan. SMB agreed this was a significant risk which needs to be captured. The Head of Governance will address this in the review of the Corporate Plan via Policy and Performance.

13. SMB also recognised that Business Continuity was not being recorded as a risk at strategic level. Covid-19 emergency response and recovery has highlighted the requirement to record and monitor Business Continuity risks with a mechanism linking down to service level business continuity. It was agreed to create a new strategic risk 'CR11 - Business Resilience' which links to the new corporate priority 'Resilience and Recovery'. In order to better reflect the diverse range of business continuity risks, it should be noted that CR11 is set out with sub-risks which impact on it as follows:
  - a) Meteorological (e.g. extreme temperatures - hot and cold- flood, lightning, snow and ice, storms);
  - b) Biological (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases);
  - c) Accidental *human* Cause (building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill or release, equipment failure, transportation incident, unavailability of key employees);
  - d) Intentional *human* Cause (arson, bomb threat, demonstrations/civil disturbance/riot, acts of war, cyber security incidents, robbery/theft/fraud, strike or labour dispute, suspicious package, terrorism, vandalism/sabotage);
  - e) Technological (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure)

## **STRATEGIC RISKS COMPARED WITH RISK APPETITE**

14. Appendix 2 compares the Council's strategic risks with the agreed risk appetite threshold for linked council priorities and principles.
15. Risk Appetite for the new objective Business Resilience is suggested as being 'Open'. This is defined as "We prefer to seek low to moderate risk options to ensure business resilience. However, we acknowledge that when faced with unexpected business interruptions, it is sometimes necessary to accept higher levels of risk to ensure recovery is achieved quickly to minimise disruption to Council services."
16. It is important to remember that review of risk appetite and their respective thresholds is an iterative process. Whilst the thresholds facilitate monitoring of risks in a more structured way, it is also important to recognise that the limits and triggers require calibrating as well. Therefore, a review of risks against risk appetite should not only consider whether the risk has adequate controls but

should also consider whether the threshold for the risk appetite definition has been set at the correct level.

17. Furthermore, risks which exceed the risk appetite threshold may not necessarily be poorly controlled but may be subject to factors outside the Council's control.
18. While the additional actions and controls have been stated for each risk, several strategic risks are currently significantly higher than the Council's risk appetite. It is therefore of merit to provide some additional commentary as follows (Appendix 4 – Risk Rating Matrix has been attached for purposes of explanation of likelihood and impact levels):
  - a) CR01 – Financial Resilience (+13): the Council has stated its risk appetite as 'Cautious' which provides for a threshold level of 5 (Likelihood 2, Impact 2). In terms of the Risk Matrix, likelihood of the risk materializing has only moved one level from unlikely to moderate. However, the impact to the Council should the risk materialize is now perceived to be at level 4 'Major'. There are strong financial controls and monitoring but the current risk level reflects the concerns around the Covid-19 epidemic, Government fiscal policy and the possible future requirement to call upon council reserves. The council has approved a three year MTFP which reflects that there are projected budget gaps over the period 2022/23 subject to the outcomes of the anticipated Government funding review.
  - b) CR06 - Lack of Resources and Capacity, Council and key partners (+10): it should be noted it is perceived that the additional risk controls to be implemented recognise that the foreseeable risk score will be reduced by 9. The current risk score reflects that, whilst repairs and maintenance have been reinstated following issues presented by Covid-19, the landscapes programme is still subject to ongoing challenges which are being addressed.
  - c) CR08 – Equality and Diversity (+10): the current risk score shows that, whilst likelihood of the risk materialising remains in line with risk appetite threshold, it is perceived that impact from the risk materializing would be more severe. This reflects the possible increased level of complaints and possible reputational damage should such risks materialise.
19. It is also worth noting that CR11 – Business Resilience risk score is 13 which is the threshold level for 'Open' risk appetite. Given the challenges faced through the Covid-19 pandemic, the Council has applied itself well to address both strategic and operational issues to ensure continuity of services and keep this strategic risk under control.

## **NEXT STEPS**

20. SMB will continue to review the strategic risks through the Third Quarter 2020/2021.
21. It is intended to initiate a Risk Maturity Assessment during 2020/2021 to provide an internal stakeholder view on the current strength and relevance of the Council's existing risk oversight processes. The results of this risk maturity assessment will help to identify what steps are necessary to advance risk management within the Council.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

As set out in the report.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (Includes ICT, and Property and Facilities)**

As set out in the report.

**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 – Strategic Risks as at 30 September 2020

Appendix 2 – Strategic Risks scores versus Risk Appetite thresholds

Appendix 3 – Risk Appetite definitions and reporting thresholds

Appendix 4 – Risk Rating Matrix

## **Glossary of Terms/Abbreviations Used**

SMB – Senior Management Board