

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

**DATE:** **16 JUNE 2021**

**TITLE:** **RISK MANAGEMENT REPORT**

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

**RECOMMENDED that:**

- A** The Committee notes the Strategic Risks and risk scores as at 31 March 2021
- 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 (current Version 3.11 : May 2021) appended states that the responsibility of the Audit and Standards Committee is to:
  - Monitor the effective development and operation of risk management in the Council.
  - 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 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 attached, which includes risk appetite definition for the additional corporate priority 'Resilience and Recovery' agreed in 2020.

5. In July 2020, a risk workshop was undertaken with Senior management Board to ensure the council's Strategic Risks were still satisfactorily aligned with the Corporate Plan Priorities and Principles.

### **STRATEGIC RISKS UPDATE AS AT 31 March 2021**

6. Appendix 1 details the council's Strategic Risk Register as at 31 March 2021.
7. Appendix 2 compares the council's strategic risks with the agreed risk appetite threshold for linked council priorities and principles.
8. Review of risk appetites and their respective thresholds is an iterative process. Therefore, while 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.
9. 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.
10. 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):
  - 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 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 2021/22 to 2023/24.
  - 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.
  - CR08 – Equality and Diversity (+10): the current risk score shows that, whilst likelihood of the risk materializing 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 materialize.

- 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**

11. The Senior Management Board will continue to review the strategic risks through 2021/2022 to ensure they reflect the Council’s priorities.
12. Risk Appetite will be reviewed as part of the Corporate Plan process.
13. It is intended to undertake a Risk Maturity Assessment during 2021/2022 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)**

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 – Strategic Risks as at 31 March 2021

Appendix 2 – Strategic Risks scores versus Risk Appetite thresholds

Appendix 3 – Risk Appetite definitions and reporting thresholds

Appendix 4 – Risk Rating Matrix

Appendix 5 – Risk Management Strategy V3.11 – May 2021