

**REPORT TO:           AUDIT AND STANDARDS COMMITTEE**

**DATE:                 25 NOVEMBER 2015**

**TITLE:                RISK MANAGEMENT REPORT**

**LEAD OFFICER:     SIMON FREEMAN, HEAD OF FINANCE (01279) 446228**

**RECOMMENDED** that the Committee:

- A**     endorses the revised corporate risk register and approves the new format;
- B**     focuses on the two highest risks regarding financial resilience and housing mix at this meeting to ensure they are satisfied with the detail presented in the risk register; and
- C**     notes the work being undertaken to define the Council's overall risk appetite.

## **INTRODUCTION**

1. The Audit and Standards Committee's terms of reference include 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**

### *Background*

3. As advised at the September 2015 meeting, a revised corporate risk register is brought to the Committee for analysis and scrutiny to ensure that all key risks have been captured, are aligned to the Council's priorities (as detailed in the Corporate Plan), and have effective controls in place to ensure they are adequately managed within the Council's risk appetite.
4. In the summer CMT/HoS undertook two risk management workshops, facilitated by the Internal Audit Manager and the Senior Insurance Officer, to develop and refine the current corporate risk register format and risks descriptions. CMT/HoS have agreed the risk descriptions, scoring and risk mitigation strategies (controls).

### *Revised risk register format*

5. The new risk register (Appendix A) follows a similar format to that used previously, but has been enhanced in the following ways:

- a) 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.
  - b) The risk is articulated in a single sentence but is supported through detailed background narrative and the likelihood and impact columns.
  - c) The risk score has been split into:
    - (i) Inherent risk score – before controls are put in place;
    - (ii) Residual risk score – effect on likelihood and impact following the introduction of controls; and
    - (iii) Foreseeable risk score – prediction of what the risk score will be in future, based on knowledge of internal and external factors and implementation of the additional actions identified in the latter column.
  - d) Users of the risk register are prompted to consider the four ‘Ts’ in the Additional Actions column when considering how to address a risk. Below is a definition for each, taken directly from the Council’s risk management toolkit:
    - (i) 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.
    - (ii) Treat – introduce control procedures to increase the chance of success.
    - (iii) 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.
    - (iv) Terminate – withdraw from the activity if possible.
6. The risk scoring (as per Appendix B) has not changed and there are no plans to change this in the near future. The risk scoring matrix will be reviewed after the new service planning and risk management system has gone live and as part of the annual review of the Council’s risk management strategy.
7. The revised risk register format is being built into the new service planning and risk management system, which is due to go live in Quarter 4. This database will also hold the corporate risk register and ensure linkages with operational risks, corporate objectives and performance management information.

## **SUMMARY OF KEY RISKS, NOVEMBER 2015**

8. The corporate risk register relates to key and cross-cutting corporate issues and strategic risks contained in service plans. Corporate or service level exceptional risks scoring 18 or higher are reported to CMT/HoS. Risks scoring 20 or higher are presented to Cabinet within the quarterly Joint Finance and Performance Report (JFPR). Therefore, the Quarter 2 JFPR going to Cabinet in December 2015 will highlight the following two risks as their residual risk score is 21:
- If a sustainable budget is not secured the Council will lack financial resilience (CR01).
  - If the town lacks a suitable housing mix it will not attract or retain residents (CR03).

9. Good practice is for the Audit and Standards Committee to focus on one or two key risks at each meeting, ensuring all risks are covered within an acceptable cycle of meetings.
10. As this is the first time the Audit and Standards Committee has seen the new risk register format it is suggested that the Committee look at in detail the two risks being reported to Cabinet in December (CR01 and CR03). The Committee should be satisfied that the supporting narrative, associated risk scores, and risk mitigation strategies (controls and action plan) are appropriate or request further information as necessary.

## **RISK APPETITE**

11. 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, which has previously helped the Council develop its risk management framework.
12. Risk appetite can be defined as 'the amount and type of risk that an organisation is willing to take in order to meet its strategic objectives'.
13. In order to develop an overall risk appetite statement for the Council a facilitated discussion will take place with CMT/HoS to reach a consensus on the overall risk appetite for the Council, linking it with the work they have undertaken recently on agreeing the revised corporate risk register.
14. The risk appetite statement will be tested out at Third Tier Manager level to see if their understanding of risk appetite is in agreement and findings brought back to CMT/HoS before sending to the Audit and Standards Committee for approval.

## **CONCLUSION**

15. This report has introduced the new corporate risk register and sets out future developments to ensure risk management is incorporated fully through the implementation of the new service planning system.
16. It has also set out the need to determine the Council's risk appetite which will be reported back to the Committee at a future meeting.

## **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 – Risk Scoring