POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	28 February 2022		
TITLE:	Risk Management Policy and Strategy review		
TYPE OF REPORT:	Review		
PORTFOLIO(S):	Performance		
REPORT AUTHOR:	Ged Greaves, Corporate Performance Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY:
The council's risk management policy and strategy are due to be refreshed in March 2022. This report introduces a draft framework and seeks members' comments. A final version will be presented to the Committee to take forward to Cabinet.
KEY ISSUES:
The current policy (Appendix A) states the council's commitment to managing risk in a positive manner. It is recognised that in order to achieve the council's objectives it is necessary to take risks and that these need to be identified, understood and managed accordingly. The risk appetite is defined in the policy as 'open' which means that the council is 'prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk'. The current strategy (Appendix B) describes the approach to be carried out in practice. It explains how risks will be identified, analysed, managed and monitored. The strategy sets out criteria to be used for deciding the potential impact of a risk and the appropriate levels of action to be taken for the different risk categories. The strategy has been updated to reflect changes in staffing and practice that have taken place since the last review in 2019. It is proposed to increase the frequency of reviewing the register from twice to three times per year, to rationalise the register from the current 40 risks to 13 strategic risks with the related addition of risks within directorate plans.
OPTIONS CONSIDERED:
These are detailed in the report.
RECOMMENDATIONS:
Members are requested to consider the draft.
REASONS FOR RECOMMENDATIONS:
In order to ensure the Council meets its statutory obligations to ensure that it has 'effective arrangements in place for the management of risk'.

1. Background

1.1 The Risk Management Policy and Strategy are reviewed every three years and the current versions were approved by Cabinet in March 2019. The policy and strategy framework are therefore due to be reviewed by March 2022.

2. Facts/Issues

2.1 There is no specific "standard" set for risk management in local government and the council's approach is based on sector best practice including the International Standard in Risk Management ISO: 31000 and guidance from organisations such as Alarm (Association of Local Authority Risk Managers), the Public Sector Risk Management Association, and the Institute of Risk Management.

3. Proposals

3.1 Risk appetite

3.1.1 The council's risk appetite is set out in the risk management policy and strategy and is approved by Cabinet. This was last considered during the policy and strategy refresh in January 2019. At that time, "open" was selected as the most appropriate rating from the following options:

Averse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes.
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
Hungry	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

3.1.2 It is recognised that a certain amount of risk is inherent in all of our activities and that it can be a positive driver in the development of the services we provide and our approach to investment. In order to mitigate ongoing financial challenges, the council's approach includes a cost reduction programme, a capital and investment strategy and consideration of different delivery models. It is proposed to continue with the current appetite of "open".

3.1.3 To facilitate the delivery of the proposed risk appetite, the risk management strategy sets out an approach for risks that are assessed as 'high' or 'very high' i.e. above a tolerable level. These are those risks that fall within the orange and red sections of the matrix.

3.1.4 It is proposed to maintain the risk appetite as "open".

3.2 <u>Inherent and target risk scores</u>

3.2.1   Our approach to the corporate risk register includes the following scores:

- inherent risk (before any mitigation)
- current risk (with current mitigation)
- target risk (desired risk reflecting our tolerance)

3.2.2   Periodic reviews of the corporate risk register identify where risks have been mitigated to the extent that they can be removed from the register. Application of a target risk score helps to "declutter" the corporate risk register.

3.2.3   Although the inherent and target risk scores can cause confusion and make the risk register complicated to read they do provide information about the extent of the risk.

3.2.4   It is proposed to retain the inherent and target risk scores on the risk register.

3.3 <u>Risk matrix</u>

3.3.1   A risk matrix is used to evaluate the risks so that there is an understanding of the exposure faced by the council, which in turn influences the type of response we choose and if we decide to treat the risk, the level of treatment that should be applied to manage/reduce/prevent the risk from occurring.

3.3.2   The council uses a risk matrix, based upon common practice in the public sector. It is based upon a 5x5 matrix of likelihood and impact. Likelihood represents the probability of an event taking place. The likelihood of events are categorised into five broad headings: rare, unlikely, possible, likely and almost certain. Impact represents the expected disruption to the council. These are categorised as: insignificant, minor, moderate, major and extreme.

3.3.3   Some councils have adopted a 4x4 matrix. Every form of risk matrix has its advantages and disadvantages and there is no "one size fits all" approach. Compared with a 4x4 matrix, the council's current approach will provide more granularity as to the level of risk. This is useful for prioritizing risks and developing mitigation measures.

3.3.4   It is proposed to continue with the current 5x5 matrix.

3.4 <u>Risk criteria</u>

3.4.1   The criteria to be used for deciding the potential impact of a risk were revised in 2016. The last review introduced new criteria for 'impact on service' and 'legal and statutory'. The criteria are:

- Impact on service
- Personal safety
- Financial loss
- Legal and regulatory

- Corporate objective
- Environmental impact
- Reputation

3.4.2   The values for the 'financial loss' criteria were extended to include a percentage of budget as well as a fixed value. This was to enable the criteria to be applied to service and project risks as well as the corporate risks.

3.4.3   Given its importance, it is proposed to add climate change as an impact criterion.

3.5 <u>Risk management policy and strategy scope</u>

3.5.1   Our current risk management framework refers to risks in the following areas:

- Strategic and Corporate
- Service
- Operational
- Capital projects
- Council owned companies

3.5.2   Risk management is also undertaken in other aspects of our activities including:

- *Health and safety* - A significant risk for the council and is covered by our Health, Safety and General Welfare Policy.
- *Tackling fraud and corruption* – This is an increasing area of council activity. Internal Audit will be developing a Fraud and Corruption Risk Register. This will support the mitigation measures for the current corporate risk.

3.5.3   The strategy references and defines the control environment for these as follows:

6. **Capital project risks**

6.1   A risk register will be maintained for capital projects managed by Property Services.

7.10 Internal Audit

7.10.3   The council's Fraud and Corruption Risk Register is maintained by Internal Audit. This forms part of the internal control environment and mitigation measures.

7.11 Health and safety risk management

7.11.1   The ongoing management of these types of risks is covered by the council's Health, Safety and Welfare General Policy.

7.11.2   Each directorate is responsible for undertaking their own annual risk assessments with support from the Corporate Health and Safety Group.

3.5.4   It is proposed to include Major Housing Projects in the policy/strategy section referring to "Capital Project risks".

3.6 <u>Rationalising the risk register</u>

3.6.1   The Corporate Risk Register includes 40 risks. These are assigned to executive directors/assistant directors who are responsible for monitoring and reviewing the risks and ensuring appropriate mitigation measures are in place.

3.6.2   Discussions with Management Team have highlighted opportunities to refocus and group related risks to form a more focused risk register. The rationalisation of risks could use a set of guiding principles as below:

Category	Key characteristics	Recorded
Strategic An event or occurrence that would cause the council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing.	• Directly affecting the future direction of the council's business plan and key objectives. • Identified by senior management team and heads of service with the assistance of corporate governance roles such as policy and internal audit. • Typically between 8 and 12 risks in total.	Corporate risk register
Corporate An event or occurrence that would lead to a significant adverse effect on the council's ability to provide important public services	• Directly linked to the critical activities, services and programmes carried out in order to facilitate the delivery of the council's business plan. • Identified by service managers, project managers, officers, partnership leads, internal / external audit, members.	Corporate risk register
Operational An event or occurrence arising from inadequate or failed internal processes, people and systems, or from external events leading to an adverse impact on service provision.	• Directly linked to the activities, services and projects carried out in order to facilitate the delivery of the council's business plan. • Identified by heads of service, project managers, officers, partnership leads, internal and external Audit, members. • Influence the day-to-day or project activities of the Council	Directorate/service/project plans. See section 3.7 and 3.8 of the report

3.6.3   Appendix C shows how our current risks could be rationalised.

3.6.7   Management Team were supportive of a move towards strategic risks that are reviewed three times per year rather than six monthly and this could be incorporated into the draft policy/strategy.

3.6.8   It is proposed that the rationalised corporate risk register is reviewed three times per year.

3.7 Risk management of projects

3.7.1   The current risk management strategy refers to roles and responsibilities. Project managers are identified and references are made to project risk registers. These registers are not collated corporately and the onus is on project managers to notify relevant Executive Directors of significant risks and review risks.

3.7.2   Property Services and Major Housing Projects will have in place a risk register for each approved capital project.

3.7.3   A risk register has been developed for the West Winch Growth Area and this is reported to the West Winch Project Board and Officer Major Project Board.

3.7.4   Governance processes related to the Towns Fund are developing and risk is incorporated into documents presented to the Town Deal Board and Programme Board.

3.7.5   The Member Major Project Board role includes the oversight and monitoring of the delivery of the programme of Major Projects. The Board will make recommendations to Cabinet and could inform Policy Review and Development Panels and other committees. Its oversight will cover several of the project risks included on the corporate risk register for example West Winch, the Accelerated Construction Programme, Major Housing Projects, regeneration projects such as the South Gate area and the Town Deal. As part of the rationalisation of the corporate risk register these projects could be replaced by a high level programme risk on the corporate risk register.

3.8 Operational risks

3.8.1   Prior to Covid-19 disrupting service planning, one service had tested the development of a risk register to accompany its service plan. Management Team has agreed to include risk registers within the directorate plans being developed to underpin the Corporate Business Plan.

3.8.2   Some of the current corporate risk risks may be more appropriately recorded at directorate level. Directorate level risk plans will therefore assist in the rationalization of the corporate risk register.

3.8.3   In terms of risk reporting, it is possible to create a reporting process where Audit Committee would receive an update on the corporate risk register with an added section in the report to identify the high scoring risks from each directorate plan thereby providing additional assurance that they are being managed.

3.8.4   It is proposed to add the inclusion of risk registers at directorate level to the policy/strategy.

3.9 Risk actions

3.9.1   The "progress" column of the risk register encourages a narrative type of comment to be included. The risk register could be further enhanced with more clearly defined

risk actions and members may have noted actions have been logged in the latest version of the register.

3.9.2　It is proposed to update the policy/strategy to reflect the inclusion of risk actions within the risk register.

3.10 Frequency of reporting

3.10.1　The risk management strategy states that the risk register is reviewed on a six monthly basis and reported to Audit Committee. Members of the committee have expressed a desire to increase the frequency of reviews in order for the risk review to become a driver for change rather than a record of mitigation activities.

3.10.2　Given capacity pressures, a rationalised corporate risk register will facilitate an increase in the frequency of the review and related reports to Management Team and Audit Committee. Management Team have proposed a move to 3 reviews per year.

3.10.3　It is proposed to update the policy/strategy to specify the register will be reviewed three times per year.

3.11 Cabinet report templates

3.11.1　The final element of the council's approach to risk management is inclusion of risk within the templates for reports to members.

3.11.2　This is not reflected within the current policy or strategy. Report authors are encouraged to refer to the corporate risk register and related project risk registers in the "risk management" section of the Cabinet report template. Consideration should also be given to additional risks related to health and safety and fraud and corruption and liaise with the appropriate officers whilst preparing the report. Key issues and mitigation should be referred to within the report.

3.11.3　It is proposed to emphasise this in the policy/strategy and encourage the practice of cross-referencing of comments within Cabinet reports to the corporate risk register within officer training.

3.12 Risk management training

3.12.1　When the new policy and strategy are approved, appropriate training will be developed and rolled out including training for members.

4.0　Corporate Priorities

4.1　The risk management process supports the delivery of corporate priorities.

5.0　Policy Implications

5.1　The report seeks to refresh existing policy and strategy.

6.0　Financial Implications

6.1　None.

7.0 Personnel Implications

7.1 None.

8.0 Environmental Implications

8.1 Climate change has been proposed for inclusion as a new risk criteria in the risk management strategy. Following the approval of a climate change strategy and action plan, there is a specific corporate risk of the council failing to meet its carbon emission target. There are additional related corporate risks such as business continuity and flood management and coastal erosion.

9.0 Statutory Considerations

9.1 Account and Audit Regulations 2015 - s3(c). The Council must ensure that it has 'effective arrangements for the management of risk'.

10.0 Equality Opportunity Considerations

10.1 None

11.0 Risk Management Implications

11.1 The Council has in place a Risk Management Policy and an associated Risk Management Strategy that were approved in March 2019.

11.2 The Corporate Risk Register records high level risks which pose a threat or opportunity to the Council's objectives. It is a tool used by the Management Team to help manage risk within the Authority and is a key document within the governance controls applied within the Council.

12.0 Recommendations

12.1 Members are requested to consider the proposals outlined in section 3 of this report and their impact upon the policy and strategy and make comment.

13.0 Declarations of Interest / Dispensations Granted

13.1 None

Background Papers

November 2021 Corporate Risk Register

Previous Corporate Risk Registers

Risk Management Policy and Strategy – approved in March 2019

Appendix A – Risk Management Policy

Appendix B – Risk Management Strategy

Appendix C – Rationalised corporate risk register

Existing Corporate Risk Register item	Proposed new rationalised risk	Description of strategic risk	Link to Corporate Business Plan Objectives
1.2 Cost Reduction programme 1.9 VAT 1.10 Financial Plan 1.11 Pension fund 1.12 Business rates	1. Financial sustainability	Ineffective management of finances leading to a lack of financial resilience as government funding reduces and demand increases.	Set a Medium-Term Financial Strategy to fund council services by a prudent mix of investment, services and tax income, while maintaining adequate reserves.
2.3 Major housing developments 2.8 Accelerated Construction Programme 2.9 Major projects programme 2.7 West Winch/North Runcton Strategic Growth Area	2. Significant programmes/ projects	Impact on the delivery of council services due to the failure of major programmes/projects. A major programme/project being any project that can cause significant financial, legal, reputational or compliance issues or prevent the council from delivering a strategic priority or key objective.	Develop our town centres and the rural offering; recognised as great places to live, visit and invest into. Deliver on our commitment to be carbon neutral by 2035, or earlier, by implementing the council's carbon reduction strategy and encourage and collaborate with our partners, communities and local businesses to reduce their environmental impact.
2.1 Local employment 2.2 Empty retail properties/town centre decline 2.4 5 year land supply, housing delivery and housing delivery test 2.5 Housing market	3. Facilitating and enabling growth	The inability of the council to facilitate and enable the market to deliver the council's growth agenda. This failure may reduce investment in infrastructure, inward investment, job opportunities, new housing and commercial development therefore	Develop our town centres and the rural offering; recognised as great places to live, visit and invest into

Existing Corporate Risk Register item	Proposed new rationalised risk	Description of strategic risk	Link to Corporate Business Plan Objectives
2.6 Strategic land and property acquisition 5.3 Improvements to heritage buildings		impacting on communities and businesses.	
5.1 Community relations 4.1 Modern slavery 4.2 Homelessness Reduction Act 2017 4.3 New regulations regarding HMOs 1.18 Conflicting aims (with partners) 1.20 Covid-19	4. Community issues	The risk of various communities within the borough feeling excluded, disengaged or being unable to access available services and opportunities including, rural, deprived, minority and vulnerable communities and local businesses etc. Services and opportunities to include health and wellbeing, early intervention and prevention. Immediate and longer term economic and societal impact of Covid-19 global pandemic on BCKLWN communities.	Develop and increase the range and effectiveness of the Council's approach to communicating and engaging with employees, businesses, local communities and visitors. Be attentive to our customer and community needs. Assist our residents to maximise their opportunities by accessing the support and services they are entitled to.
1.1 Business continuity 6.2 Emergency response (external)	5. Continuity of service	The council's ability to effectively respond to a major emergency and maintain that response without affecting essential day to day service delivery. The risk is to both the council as a business continuity issue and to our vulnerable communities.	Be attentive to our customer and community needs.

Existing Corporate Risk Register item	Proposed new rationalised risk	Description of strategic risk	Link to Corporate Business Plan Objectives
1.5 Loss of ICT 1.6 ICT failure of back up 1.14 Cyber security attack	6. Data management and security	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential or business critical information or breach of information governance legislation.	Be attentive to our customer and community needs.
1.4 Due diligence 1.8 Fraud and corruption 1.16 GDPR 1.17 Financial Ledger software replacement	7. Corporate Governance	The risk of failures in systems of governance within the council, within council owned/influenced organisations and partnerships and other collaboration arrangements, leading to governance issues, fraud and corruption, failures in management systems, poor policy and decision making.	Set a Medium-Term Financial Strategy to fund council services by a prudent mix of investment, services and tax income, while maintaining adequate reserves.
1.3 Reputation management 5.2 Council reputation	8. Reputation management	The risk that the council's reputation is damaged by major service failure, failure to respond to a significant incident(s), governance issues, dispute with a key partner, failure to deliver corporate business plan.	Develop and increase the range and effectiveness of the Council's approach to communicating and engaging with employees, businesses, local communities and visitors. Target littering and fly-tipping. Maintain standards for open and green spaces. Work with our partners to improve

Existing Corporate Risk Register item	Proposed new rationalised risk	Description of strategic risk	Link to Corporate Business Plan Objectives
			community cohesion and reduce crime, the fear of crime and anti-social behaviour.
1.7 Capacity 1.13 Channel shift 1.15 Pay policy	9. Organisational change	Ensuring that the council, its members and its workforce have the skills, resources, ability and capacity to adequately respond to current and future organisational change meaning the council is able to deliver its services in the most efficient and effective manner.	Be attentive to our customer and community needs.
3.1 Flood management and coastal erosion 3.2 Carbon emissions	10. Climate change mitigation and adaptation	Inability to mitigate and adapt to climate change - increased coastal erosion and flooding and failure to meet net zero target with consequent reputational issues.	Deliver on our commitment to be carbon neutral by 2035, or earlier, by implementing the council's carbon reduction strategy and encourage and collaborate with our partners, communities and local businesses to reduce their environmental impact.
6.3 Health and Safety. *Broadened scope of risk plus other statutory duties.*	11. Statutory compliance	Implementation and maintenance of statutory compliance management systems. E.g. health and safety, service related legal obligations.	Corporate risk
6.1 Provision of leisure and cultural services. *Broadened scope of risk*	12. Council owned companies	Managing performance, finances, liabilities and the relationship between the Council and its wholly owned companies in accordance with the governance	Improve and develop the quality of local sport and leisure facilities. Set a Medium-Term Financial Strategy to fund council services by

Existing Corporate Risk Register item	Proposed new rationalised risk	Description of strategic risk	Link to Corporate Business Plan Objectives
		agreements.	a prudent mix of investment, services and tax income, while maintaining adequate reserves.
1.19 Mobilisation of new Waste and Recycling Contract. *Broadened scope of risk*	13. Contract/Supply failure	Managing contracts with key suppliers to ensure the continued delivery of an effective service and ensure delivery of the council's priorities and objectives.	Be attentive to our customer and community needs.