

Audit and Standards Committee

21 September 2023

Strategic Risk Management

Recommendation

That the Audit & Standards Committee considers the update in relation to Strategic Risk Management, the work ongoing and the changes in the Council's risk profile and provides any comments on the approaches being taken.

1. Executive Summary

- 1.1 CIPFA guidance for audit committees requires the Audit and Standards Committee to consider the effectiveness of the authority's risk management arrangements. The Committee should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the Council and its collaborative arrangements.
- 1.2 This report summarises the Council's quarter one strategic and service level risk profile, and provides a brief highlight of the risk management activity being undertaken to refresh risk information and aspects of the Strategic Risk Management Framework.
- 1.3 An internal audit review of risk management has taken place and the objective of this review was *'to provide an opinion on the overall arrangements in place with regard to Risk Management'*. The audit concluded that overall, there are good controls in place that are functioning effectively. A small number of recommended enhancements were raised, and officers are working to address those. The overall conclusion provided a Substantial assurance rating.

2. Financial Implications

- 2.1 There are no financial implications arising directly from this report. Where the Council faces financial risks, these are captured along with mitigating actions in the strategic and service risk registers where appropriate.

3. Environmental Implications




- 3.1 There are no environmental risks arising directly from this report. Where the Council faces environmental or climate-related risks, these are captured along

with mitigating actions in the strategic and service risk registers where appropriate.

- 3.2 Where the Council faces environmental risks, these are captured along with mitigating actions in the strategic and service risk registers where appropriate.

4. Supporting Information

- 4.1 The Strategic Risk Register reflects a slight increase in the assessment of risk when compared to Quarter 4. This has arisen from the wider national and international economic position including higher interest rates and inflationary pressures and the associated cost increases. It also reflects the impact of risk from commercial and investment activity and uncertainty arising from external influences such as national Government policy shift. The following table provides a short description of the three, from 18, strategic risks which have increased during quarter 1:

Risk reference and shortened description	Q4 2022-23	Q1 2023-24	Direction
Risk 1, Risk of a slow or stalling economic growth	15	18	
Risk 12, Risk of negative results from our commercial and investment activities.	12	16	
Risk 14, Risk of continued uncertainty about key external influences on local government.	16	20	

- 4.2 Reflecting the key reasons for change noted above, the following strategic risks now have a red (high risk) status after allowing for mitigating activity and existing controls:

- economic growth slows or stalls;
- widening of inequalities;
- not achieving commitments to sustainable futures;
- negative results from commercial and investment activity;
- SEND resources are insufficient to meet demand;
- uncertainty arising from external influences e.g. Government policy;
- inflation and the rising cost of living; and
- a successful cyber-attack.

- 4.3 Our ongoing risk management activity has led to further consideration of the existing controls and proposed actions within the Council's risk registers. One example of where this has led to a change would be the activity taken in relation to risks of inflation and the cost of living where a number of actions have taken place, including raising awareness of the issues and the impact on financial planning with Cabinet and the Budget Working Group; greater allowances have been made in the risk reserves as a contingency; and stronger focus is being applied to financial monitoring to help track and assess the impact. For the cost of living, specific responses to challenges have also been applied including resource targeted at key emerging issues in badly affected communities such as the support of community pantries.

- 4.4 A further example relates to climate change, with the Council acknowledging the significance of the area. The Sustainable Futures Strategy and Action Plan are due to be presented and agreed by Cabinet in the Autumn following a period of public engagement and work with expert panels. A cross party working group has been established alongside a group made up of councils from across the County, to help shape the approach. The governance arrangements are now established. In terms of the organisational structure, the Council has appointed a new Head of Climate Change and established a team to take forward this key area of work, which is one of the three top-line priorities in the Council Plan, with a plan to build the engagement of local stakeholders and key national bodies with a local presence and to continue to seek clarity around national direction and associated government policy.
- 4.5 A heatmap showing the strategic risks analysed by risk likelihood and risk impact is included as Appendix 1.
- 4.6 Risks are also maintained at service (Director) level and these are monitored and reported upon on a quarterly basis. Currently, the Council has 13 service level risk registers. The current process is to highlight service level risks in two ways, as follows:
- by a red/amber/green rating signifying low through to high risk: and
 - by comparing the current assessed risk with the respective target level of risk and reporting the risks that have exceeded their target for 3 quarters or more and which are currently exceeding the target by a score of more than 3.
- 4.7 All the risks highlighted in the Appendix have mitigation activity highlighted within the respective risk registers, including existing controls, an assessment of their effectiveness, and proposed actions. The mitigations are also reviewed and updated periodically, and as necessary, by the relevant directors and managers. Our Risk and Assurance Manager helps build awareness, capacity and capability across the Council.
- 4.8 Our risk management work has led to additional consideration of all 13 service level risk registers and enhancement to the mitigations have been made. For example, a cyber security related risk, with associated controls and proposed actions, has been established to reflect the growth in cyber risk. We have also closed the risk relating to an adverse Ofsted inspection of Adult and Community Learning as the inspection, undertaken towards the end of 2022, resulted in a *Good* rating.
- 4.9 Over the course of the next few months, risk appetite statements will be refreshed to ensure they remain fit for purpose. Key aspects of the Strategic Risk Management Framework will also be considered to ensure they remain appropriate in the current climate. The Framework has been in place for approximately two years and it is now appropriate for a review. We will also take this opportunity to take stock of the risk records to ensure that the most significant risks are captured at a strategic and service level. A key driver of this review of strategic risks will be to reduce the number of strategic risks so

that there is increased focus and priority to the critical risks. This will influence future risk reporting to Corporate Board and to committees.

5. Timescales associated with the decision and next steps

- 5.1 Updates will be provided to the Audit and Standards Committee in due course on any updates made to the risk management framework and risk appetite of the Council.

Appendices

Appendix 1. Strategic Risk Heatmap; and

Background Papers

None.

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The report was circulated to the following members prior to publication:

Local Member(s): None, this is a County Wide report

Other members: Resources, Fire & Rescue Chair & Spokes Group