

**GOVERNANCE & AUDIT COMMITTEE:
21 MARCH 2023**

CORPORATE RISK MANAGEMENT - QUARTER THREE 2022/23

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 9.1

Reason for this Report

1. To update Governance & Audit Committee on the processes for managing risk and set out the risk management position at quarter three 2022/23 and to highlight any changes from the quarter two 2022/23 report.
2. The Governance & Audit Committee's Terms of Reference sets out their responsibility:
 - To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council, and
 - To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register (CRR).

Background

3. Governance & Audit Committee receives a risk management update each financial quarter with the opportunity to make comments. The last Governance & Audit Committee review was on the 29th of November 2022, at which time the risk management position at quarter one 2022/23 was presented.
4. Each Directorate holds a Directorate Risk Register (DRR) and the Senior Management Team (SMT) collectively own a Corporate Risk Register (CRR). The CRR records the main risks to the delivery of corporate objectives and priorities, whilst the DRRs record the key risks to the delivery of Directorate functions and priorities. The considerations undertaken for each of these types of risks are set out in paragraphs 8 and 10 respectively.
5. A risk escalation process is in place, whereby each Director is required to take ownership of all residual (current) risks rated as 'red/amber' and above on their DRR and, at a minimum, to escalate all 'red' residual risks to SMT for collective ownership and review.
6. This reporting process allows SMT to determine if any changes are required to the CRR each quarter. The remaining escalated risks continue to be held on DRRs and are reviewed by SMT each quarter until it is agreed that mitigation is sufficient for risk ownership to transfer back to the Directorate.

Issues

Current Process

7. The Corporate Risk Register and Directorate risk registers respectively consider a set of questions which when answered provide the basis for evaluating the current position of that particular risk (residual risk). This evaluation then provides the platform for considering whether or not the risk level needs to be further reduced, the timeframe for achieving that and any future actions required to either deliver that target risk or maintain the current risk level.
8. The Corporate Risk Register considers the following :
 - **Description of the Risk** – What could go wrong?
 - **Potential impact of the risk materialising** - Service Delivery disruption
 - **Type of impact** – E.g. Financial cost / Service delivery failure
 - **What has been done / achieved currently** - that has impacted on managing / lowering the risk
 - **What action is planned going forward** – that will impact on managing / lowering the risk
 - **Does this risk link in with any other risks – Are there any interdependencies between Corporate risks** E.g. Financial Resilience and Budget Monitoring
 - **What is used to monitor the risk - key measures / indicators** - Evidence
9. The Directorate Risk Registers are presented on a regular basis at the Directorate Management teams and the risk evaluations are considered for appropriateness. Where it is identified that there are risks rated Red or Red / Amber they are escalated to SMT, accompanied by suggested next steps.
10. Each Directorate has at least one Risk Management champion who acts as a liaison with the officers charged with coordinating Risk Management across the Council. There has been good engagement across the directorates but there remain opportunities for improvement. The areas that have been identified for improvement include the following;
 - Risk Reports need to concisely focus and emphasise the impact of any actions undertaken and to be undertaken in managing the risk
 - Ensuring the information and data used to evaluate the residual risk remains appropriate for that risk
 - Increase assurance that risks on the horizon are being brought into Directorate Risk Registers early enough to allow pre-emptive actions to be undertaken
11. Each Director has worked with their Risk Champion(s) to undertake their quarter three risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter three risk assessments are presented on the Corporate Risk Register Summary Snapshot (Appendix A) and the Detailed Corporate Risk Register (Appendix B).
12. The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter three are detailed as follows.

Directorate Risks

13. At the quarter three position, 255 risks were reported from Directorate Risk Registers.. This reflects a reduction of 18 risks from that reported in Quarter 2. All escalated risks and requests for de-escalation were discussed and approved in SMT on the 10 March 2023. The escalation risk process is adopted to ensure that there is corporate oversight of a coordinated response to potential risks in order to ensure effective mitigations are put in place.
14. It was agreed that sixteen Directorate risks would be taken forward as SMT escalated risks at quarter three. The additional risk is the effective management of Freedom of information/ Subject Access Requests during a period of data being transferred to a new system. Senior Management Team will continue to receive updates on those escalated risks, ten of which are targeted for de-escalation by Q1 2023/24.

Directorates	Directorates Risks	Escalated Risks
Economic Development (inc Waste)	38	3
Education	19	0
Housing & Communities	32	4
Performance & Partnerships	15	1
Adult Social Care	11	2
Children's Social Care	8	5 (1 Shared)
Planning, Transport & Environment	23	0
Resources	94	1
Governance & Legal Services	15	1 (1 Shared)
Total	255	16*

* Includes 1 shared

Corporate Risks

15. SMT collectively reviewed the escalated directorate risks and corporate risk updates at the end of quarter three.
16. At quarter three, SMT considered and agreed to a revised residual risk rating of the Financial Resilience corporate risk. This was a change from the previous quarter and reflects both the uncertainty of the external environment and the mitigations that are being undertaken to provide a level of assurance in determining a strategy that delivers sustainable financial resilience to the Council. The Financial risk analysis for Q3 formed part of the comprehensive budget papers that were considered by Cabinet and Council on 2nd March 2023 and 9th March respectively. In looking towards the medium term, the

budget papers also included the Councils Medium Term Financial Plan, Capital Strategy, Housing Revenue Account and Treasury Management Annexes each of which set out a series of assumptions and a framework within which the Council operates.

17. In respect to the risk of ineffectively managing increasing demand in Children's Services the risk has been reduced for Quarter 3. The reason for the decrease is that the numbers of contacts / referrals has stabilised, numbers of children on the Child Protection register have decreased and numbers of children looked after have not increased at the same rate as referrals. The position will continue to be closely monitored over the forthcoming period through the suite of risk indicators such as Number of people supported by the Family Support Team, Percentage of assessments completed for children within statutory timescales and number of children looked after.

Reason for Recommendation

18. To enable the Governance & Audit Committee to consider how the risk management process is undertaken and provide any comments
- 19.
20. To enable the Governance & Audit Committee to monitor risk management activity and consider the Risk Management Review – quarter three 2022/23.

Legal Implications

21. There are no direct legal implications arising from this report. However, one of the benefits of identifying risk is that mitigation measures may be taken, if appropriate, and consequently successful claims against the Council may be avoided altogether or reduced.

Financial Implications

22. There are no direct financial implications arising from this report. The Corporate Risk register will be used to guide the Internal Audit Plan and the Council's resource planning processes and forms an important part of the governance arrangements for the Council.

RECOMMENDATIONS

23. Governance & Audit Committee to note and comment upon the risk management activity and the contents of the Corporate Risk Register, and to consider the information given, in the programming of its work.

Chris Lee
Corporate Director Resources

The following Appendices are attached:

Appendix A - Detailed Corporate Risk Register – Q3 2022/23

The following background papers have been taken into account:

- *Directorate Risk Registers Q3 2022/23*