Corporate Governance and Standards Committee Report

Ward(s) affected: All

Report of Strategic Services Director

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Risk Management Update

Executive Summary

This report provides an update on the work undertaken so far to improve the Council's risk management processes in light of the KPMG audit recommendations in March 2021. It sets out the internal consultation carried out to develop a new Risk Management Framework as well as outlining the current status of the Corporate Risk Register and the Committee's proposed role moving forward. This report finishes by summarising the next steps, including bringing the revised Corporate Risk Register and a further report on progress in April 2022.

Recommendation to Committee

That the Committee notes the report detailing the work undertaken to improve the Council's risk management processes and controls.

Reason(s) for Recommendation:
To advise the Committee on the work undertaken to progress the recommendations within the KPMG report and to achieve risk management best practice.

Is the report (or part of it) exempt from publication? No

1.   **Purpose of Report**

1.1   The purpose of this report is to update the Committee on the work being undertaken to address the issues raised in the KPMG Risk Management report and implement the recommended improvements to the Council's risk management processes and controls.

2.   **Strategic Priorities**

2.1   In order to achieve its strategic priorities, the Council must identify, manage, and learn from risks across the organisation including corporate, service and

programme/project risks. The draft new framework as set out in this report aims to provide a consistent approach across the Council for risk management, allowing the Council to more effectively articulate, report and monitor risks to support the achievement of its corporate objectives.

3.   Report

KPMG Report

3.1   The report produced by KPMG in February 2021 gave the Council a rating of 'partial assurance with improvement required' and made eight recommendations. A summary of this report was taken to this Committee in March 2021 and can be found here (page 176 of the public reports pack). The report highlighted current good practice within the Council including the assignment of appropriate action owners where risk registers exist and good risk reporting for the projects they reviewed.

3.2   The recommendations contained within the report ranged from monitoring the implementation of the new risk management approach to the detail within the risk registers. The eight recommendations are summarised below. The remainder of this report sets out how we plan to address these recommendations in order to improve the Council's risk management processes, including the draft Risk Management Framework.

1.	Consistent council-wide Risk Management Framework with guidance.
2.	Monitoring of the implementation of the Risk Management Framework.
3.	Regular presentation of Corporate Risk Register to the Corporate Governance and Standards Committee.
4.	Routine review and refresh of Risk Management Strategy and Framework.
5.	Setting of target completion dates for mitigating actions.
6.	Consistent approach to risk scoring, including impact of mitigating actions.
7.	Review of existing risk registers to ensure completeness of risk descriptions.
8.	Uniformity of risk scoring systems across all risk registers.

Draft Risk Management Framework

Risk Management Strategy and Policy

3.3   A Risk Management Strategy is being developed to set out our approach to risk management and the desired outcomes. A Risk Management Policy is also being developed and will provide the detail at an operational level about required actions and roles and responsibilities.

3.4   The Strategy and Policy will be submitted to this Committee for consideration in April 2022 prior to adoption by the Executive. The Strategy and Policy will be reviewed annually once embedded.

Governance, reporting and escalation

3.5 <u>Corporate Governance and Standards Committee</u> has the responsibility to monitor and review the Council's corporate governance activity, including risk management. Under the draft Risk Management Framework, we will be proposing that the Corporate Risk Register would be presented to the Committee for review every six months. The Committee would also be invited to suggest areas for more in-depth review and receive reports on these matters at subsequent meetings.

3.6 <u>Corporate Management Team</u> (CMT) owns the Corporate Risk Register and will have overall responsibility for ensuring corporate risks are sufficiently mitigated and resource is made available for agreed mitigating actions within service risk registers.

3.7 <u>Corporate Governance Group</u> currently has risk management in its remit. Consideration will be given to the most appropriate form of operational governance, such as establishing a new Risk Management Group or reflecting the new draft risk management process in the Corporate Governance Group's terms of reference.

Risk registers

3.8 The previous Corporate Risk Register was developed and maintained by the Council's then Head of Audit and Performance Management Services. Under the Council's new structure, the remit of risk management now sits with the Strategic Services Director and is managed by the Strategy and Communications Manager. A new corporate risk register template has been developed and this template will be applied consistently to all other risk registers to be developed (service and programme/project).

3.9 As well as agreeing the new draft template for the Corporate Risk Register, the content also needs reviewing by CMT. The risks including their owners and their target scores need to be decided before mitigating actions and timescales can be agreed. Once the Corporate Risk Register has been finalised in the new template it will feature on the Corporate Governance and Standards Committee's work programme as set out in paragraph 3.5 of this report.

3.10 The service risk register template is designed to record and monitor risks to the delivery of service outcomes. Some service level risks will be common across multiple services and where they also threaten corporate or other priorities they will be reflected in the Corporate Risk Register. The Strategy team will work with Service Leads to complete and maintain the service risk registers through the established service planning process. Risks within service risk registers that require escalation (risks rated red) will appear in the risk section of Service Plans. This will make risks visible to readers of the Service Plan, such as Directors, without having to refer to an additional document.

3.11 The third type of risk register included in the draft new Framework is the programme/project risk register. As a matter of course programme and project leads/managers identify risks at the very beginning of the programme/project and

articulate these in the initial documentation, such as mandates and business cases. The point at which the programme/project has been approved and delivery begins is when the risk register would be completed, in addition to the usual programme/project documentation such as delivery plans and change logs. Currently Corporate Programmes risk templates vary across the service but a best practice document has been shared with the Strategy team. This document will inform the new template being developed.

Supporting documentation and guidance

3.12 To ensure risks are assessed, scored, RAG rated, and monitored consistently, risk registers will be supported by standardised guidance documents to help risk owners manage and escalate risks effectively. This guidance will cover:

- how to complete the risk registers
- assessment of risks
- risk matrices and mitigating action
- parity in risk scoring.

Risk Management fundamentals

3.13 Whilst there are common practices for risk management processes and registers, there are elements of the Risk Management Framework that will need to be agreed, namely the Council's risk appetite, the corporate risk matrix against which all risks will be scored, and the themes by which all risks will be categorised.

3.14 CMT will be consulted on the approach to determine the matrix, appetite and risk categories. At present the Council has a risk matrix that needs reviewing and no formally agreed appetite for risk. The current Corporate Risk Register categorises the risks within it, but these categories will need to be revised as the Corporate Risk Register is refreshed.

4. Consultations

4.1 The Strategy team has consulted various colleagues across the Council, including Service Leaders, to achieve a full understanding of how risks are currently managed within services and ensure any draft processes and documents that are developed are fit-for-purpose and operational.

4.2 More detailed sessions were held with Service Leaders of high/specialist risk areas such as Operational and Technical Services and Corporate Programmes. We have also consulted the Resources Director, Strategic Services Director, Health and Safety Specialists (Paul Osborn and Pat Barnes), Senior Specialist for Procurement (Faye Gould) and Specialist for Insurance (Mike Bellamy).

5. Next steps

5.1 As set out in paragraph 3.9 of this report, an updated Corporate Risk Register with scoring will be developed in consultation with CMT. CMT will also be

consulted on a new corporate risk matrix as well as the process for agreeing the Council's risk appetite.

5.2 The Committee will receive the revised Corporate Risk Register at its meeting in April 2022 along with an update on the work undertaken to embed the new Risk Management Framework across the Council.

6. Key Risks

6.1 Without a fit-for-purpose and consistent risk management framework the Council risks not meeting the recommendations of the KPMG report, and, more importantly, being exposed to unnecessary and unacceptable risks.

7. Financial Implications

7.1 There are no financial implications arising directly from this report.

8. Legal Implications

8.1 There are no legal implications arising directly from this report. The Council's position will be protected from having an effective risk management framework.

9. Human Resource Implications

9.1 Completion, maintenance and oversight of the risk registers will require resource from CMT, Service Leads, the Strategy team and specialist within the organisation. These risk management processes should be seen as important elements of business as usual, much like Service Planning.

10. Equality and Diversity Implications

10.1 The Public Sector Equality Duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

11. Climate Change/Sustainability Implications

11.1 There are no direct climate change or sustainability implications of this report. The Council must manage risk effectively, especially risks relating to programmes and projects, in order to achieve its goal of being net-zero carbon by 2030.

12. Summary of Options

12.1 The Committee is asked to note the report and consider its role relating to risk as set out in paragraph 3.5.

13. Conclusions

13.1 This report provides the Committee with an update on the work undertaken so far to improve the Council's risk management processes and sets out the internal consultation carried out to develop a new Risk Management Framework. It

outlines the current status of the Corporate Risk Register and the Committee's proposed role moving forward. This report finishes by summarising the next steps, including bringing the revised Corporate Risk Register and a further report on progress in April 2022.

14. Background Papers

None

15. Appendices

None