

Title of report: Review of approach to strategic risk management

Meeting: Audit and Governance Committee

Meeting date: Monday 13 March 2023

Report by: Interim Director of Strategy

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To set out the principles and the approach that the Council is taking for managing corporate risks.

Recommendation(s)

That the committee:

- (a) Note the steps being taken toward a more strategic approach and a more visible corporate grip on risk are considered in the light of the committee's previous discussions;**
- (b) Review the approach to risk management in the context of the organisation embarking on a major transformation programme, Thrive; and**
- (c) Consider the assurances provided commenting on its content as necessary.**

Alternative options

1. There are no alternative options as it is good practice for the council to review the approach to risk management. The audit and governance committee is responsible for providing assurance on the council's audit, governance (including risk management and information governance) and financial processes in accordance with the functions scheme.

Key considerations

2. The Council's approach to managing risk is set out in the Performance Management Framework and associated Risk Management Plan.
3. The Council's Corporate Leadership Team (CLT) has identified improvements to the approach to risk management designed to provide CLT and Members with a better "helicopter view" of the organisation, linked to the County Plan and Delivery Plan. The Chief Executive and CLT are leading a major transformation programme and as part of this process will ensure that excellent risk management is a visible priority for the whole organisation.
4. This Committee has the responsibility for ensuring that the Council's risk management process is carried out effectively and in previous meetings has identified actions to improve the approach, which this report seeks to address.

Current approach

5. Risks are identified as part of daily council business, self-assessment as part of the business planning processes, and as a result of regulator and audit activity. As these risks are identified, they are scored based on the likelihood and impact, using the methodology within the Risk Management Plan (RMP). Risks are reported and escalated based on their score. The Council's Corporate Risk Register therefore holds the highest scoring risks across the organisation. The table below sets out the risk scoring matrix, with the frequency of monitoring required and the action necessary. Risks that appear on the Corporate Risk Register will also appear on their relevant Directorate and Service Risk Registers.

	Green	Yellow	Amber	Red
	Low	Medium	High	Extreme
Score	1-4	5-8	9-15	16-25
Register*	Service		Directorate	Corporate
Action	Unlikely	Might	Should	Must
Review frequency	Quarterly	Monthly	Monthly	Monthly

What works well and what needs to improve

6. In workshops with services, good practice was found by the Head of Corporate Performance, in that risk registers were updated regularly.
7. Reporting on risk is now more integrated with quarterly performance and budget reporting.
8. The council manages risks robustly, Heads for Service are very active in managing risk, and we make conscious decisions to hold, and transfer risk.
9. The following areas for improvement have been identified from the observations of this committee, in discussions at the Corporate Leadership Team, and at the workshop with services.
 - 9.1 There is a need for more consistency in the use of the scoring matrix

There is variation in the number of risks in each Directorate. For example, as at December 2022, the Economy and Environment risk register lists 43 risks, while the Children's Directorate risk register lists only 10. This suggests a lack of consistency in the approach to identifying them, which may mean that some risks are missed, or that the ability to focus on the most significant risks is hampered by there being too many.

- 9.2 Some risks stay on the register for a long time.

Some risks were first reported many years ago. This may be right if the risk is still valid, but it is not clear from the reporting when a risk was last revised. Conversely, some new areas of work do not appear, including work with health partners and the Health and Wellbeing Board.

9.3 Understanding of accountability and action planning

There needs to be more robust identification of action to mitigate risk. Actions need to be smarter.

9.4 There is a lack of clarity in use of terminology between strategic and corporate risks

There is evidence of confusion about the difference between strategic and corporate risks. Currently the highest level in the hierarchy of risks is “corporate” but there are also risks for the Corporate Services Directorate, which tend to cover those areas that have an impact across the organisation. We don’t talk about “strategic” risks, but we talk about wanting to be more strategic about how we manage risk.

9.5 Aggregation of risks

More could be done to aggregate similar risks within or across Directorates, for example, risks related to recruitment and retention.

9.6 Corporate Leadership Team challenge and ownership of risks

As set out in the table above, anything that scores above 16 is added to the corporate risk register. The Directorate and Corporate Risk registers are included on the agenda for Corporate Leadership Team (CLT) meetings quarterly for sign off. There has not been enough discussion of whether or not these risks seem right from the perspective of Directors individually, and CLT collectively, as risks appear on, and stay on, the Corporate Risk Register mostly on the basis of the scoring matrix. Management of risk has been more “bottom up” than “top down”. There is some time built in between the different stages for performance and risk reports to be discussed, but not enough for DLTs and CLT to be able to fully pursue their queries.

Principles

10. There is general agreement that our approach to risk needs to be more strategic and more consistent in order to be sure that the council’s leadership is directing attention and council resources to where they will have the most impact.

11. This is in line with the review currently underway of the council “operating model” and how we can be more efficient and effective in the delivery of support services, which is part of the Thrive Transformation Programme. This review will conclude in April.

12. We have developed the following mantra for how processes should be reviewed, alongside the work to transform customer services through the use of digital technology, “Simplify, standardise, share”.

13. Applying these to risk management:

Simplify – we will reduce any unnecessary steps in the process, add steps that will reduce complexity (such as adding dates for when a risk has been reviewed) in order to direct resources to where they will have the most impact.

Standardise – we will regularly review the application of the scoring matrix to ensure consistency between different Directorates and services.

Share – we will consider risks that have been escalated from Directorates at CLT to take a corporate and strategic view of action needed.

Changes to the approach

14. Role of Corporate Performance Team and Directorate Leadership Teams

The Corporate Performance Team has made great progress over the last year in implementing the Corporate Performance Improvement Plan. The Head of Corporate Performance is responsible for risk management, and the team will be asked to support related improvements to risk management, with a more proactive approach to be taken in support of DLTs to understand and manage risk. From Quarter 4, DLTs, with the support of the Corporate Performance Team, will use the principles set out to review Directorate Risk Registers.

15. Role of Corporate Leadership Team

CLT will hold a workshop in advance of the finalisation of the Quarter 4 report to review and agree on the strategic risks for the organisation, and will review these every quarter. The risk management plan will be revised to reflect the strengthened, more proactive role to be taken by CLT in managing strategic risks.

16. Training

We will commission new training for senior officers and members, and for managers, for the new municipal year.

17. Transformation

CLT will set the organisational risk strategy in relation to the council's transformation programme, Thrive. Adopting a strategic approach to risk management to make better informed decisions will be crucial for successful transformational change, i.e. setting the tone from the top on the level of risk we are prepared to accept on programmes, projects and changes to services. Of course, good risk management doesn't mean that nothing can ever fail. When this happens, how we best respond so we learn from this is also crucial for a successful transformation programme.

Community impact

18. Effective risk management is essential to the delivery of the priorities set out in the County Plan.

Environmental impact

19. Risk management is essential to the delivery of the council's environmental policy commitments.

Equality duty

20. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
21. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

Resource implications

22. There will be resource implications from the commitment to provide training, but this has not yet been costed.

Legal implications

23. There are no legal implications arising directly from this report. The purpose of an audit committee is to provide independent assurance to Cabinet and Full Council on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes.

Risk management

N/A

Consultees

N/A

Appendices

None

Background papers

None