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| <b>Report title</b>  | <b>Risk Management Framework 2023 - 2026</b>    |
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| <b>Department</b>    | <b>Assistant Chief Executive / S151 Officer</b> |
| <b>Exempt</b>        | No  |

**Purpose of report:**

**To recommend to full Council on 19 October 2023**

**Synopsis of report:**

The Council's Risk Management Framework is an essential part of the governance processes of the Council. As part of the action plan in the Annual Governance Statement a full review has been undertaken and is presented to Members for consideration. The framework sets out the objectives and processes by which risk will be captured, monitored and mitigated in the organisation.

**Recommendation that:**

**the Risk Management Framework presented at Appendix 'A' be recommended for approval by full Council on 19 October 2023.**

**1. Context and background of report**

- 1.1 The Council's Risk Management Framework sets out the approach to holistic, cross-organisational risk management at both a strategic and operational level to fulfil the legislative requirements as laid down by the Local Government Act 1999 and Accounts & Audit Regulations 2015, in order to ensure effective and efficient corporate governance and reporting.
- 1.2 The aim of the framework is to formalise, embed and continuously improve processes and procedures for the identification and evaluation of risks and opportunities and the cost-effective control of risks to ensure that they are reduced to an acceptable level and any impact on delivery of objectives is minimised.
- 1.3 The scope of the framework covers both the corporate culture and processes and procedures to ensure risks are managed. This applies to risks associated with contracts, projects and service areas which feed into the overarching corporate risk register. It does not replace established risk assessment processes, for example, for health and safety compliance, business continuity or emergency planning, but instead builds on and supports those activities by establishing a consistent framework for their identification, assessment, and escalation, as required.
- 1.4 The definition of risk and risk management that is proposed to be adopted for the purpose of this framework is as follows:

Risk definition:

*“A risk is an uncertain event or condition that, if occurs, has a positive or negative effect on delivery of Council objectives whether at the operational or strategic level. A risk is something that may happen in the future.”*

Risk management definition:

*“The iterative, systematic application of principles and processes to risk identification, assessment, management and on-going monitoring of risks and opportunities in pursuance of Council objectives.”*

## **2. Report**

- 2.1 The Council has an obligation to provide assurance to Members and the Community that the principles of good governance, including Risk Management, are reflected in the activities of the Council. The Council also has a legal obligation to comply with the requirements placed upon it by the Accounts and Audit Regulations and the publication of an Annual Governance Statement.
- 2.2 Risk Management forms an integral part of the Council's Annual Governance Statement which is concerned with demonstrating that the Council has adequate and effective internal control arrangements in place for dealing with key business risks.
- 2.3 The Council's Risk Management Framework is provided at Appendix 1 for Committee approval. This builds on and formalises existing risk management practice across the organisation and ensures consistency and transparency in how risk will be identified and managed. Risk can lead to opportunity as well as threats on delivery of operational or strategic objectives. By dynamically managing risk, the organisation can be risk aware rather than risk averse when making effective decisions to meet the Council's objectives and to safeguard the Council's assets.
- 2.4 Formalising the Council's approach to Risk Management ensures that risk management processes and procedures are embedded, and a risk aware culture is developed that recognises risk management as an effective mechanism to support both delivery of strategic and operational objectives and good corporate governance.
- 2.5 Risk management needs to be dynamic in order to capture and anticipate new risks and to assess the trade-off between risk and opportunity. It should be an ongoing cycle, that used properly, will help to ensure that effective decisions are made, based on a sound understanding of the risks and opportunities faced. The risk management cycle is a 5-step process: Objectives setting, risk identification, risk evaluation, risk action/mitigation, risk monitoring and reporting.
- 2.6 Setting the Council's risk appetite is an important part of the first step: objective setting. The risk appetite defines the amount of risk the council is willing to tolerate to achieve the priorities set out in the Corporate Business Plan. It is accepted that there is an element of risk in most activities that are undertaken. Effective and efficient risk governance and oversight provides assurance that the Council's business activities will be positively enhanced by opportunities, but not adversely impacted by threats that could have been foreseen.
- 2.7 The Council's risk appetite statement is proposed to be reviewed annually as part of annual business and budget planning. This is being actively worked on and it is anticipated that this will come back to this Committee at the next meeting for approval and feed into the Council's budgetary and policy framework.

- 2.8 In addition to this framework, the capital and investment strategy contains further details of financial risk appetite specifically for commercial and regeneration, portfolio and divestment opportunities. Risk assessments in these areas will need to refer specifically to risk appetite statements within the Capital and Investment Strategy.
- 2.9 The framework specifically addresses risk management with regard to achievement of strategic and operational objectives i.e. risk that could impact on delivery of contracts, projects, service delivery in a service area, and corporately. Alongside this there are a number of additional and related organisational activities that involve identification and management of risk. These include business continuity, emergency planning, IT disaster recovery and Health & Safety compliance within the Council. It is important that the role and interrelationships of each are clearly understood if the Council is to effectively manage risk across the organisation and with external stakeholders and partners.
- 2.10 Separate policies and procedures exist to specifically support business continuity, emergency planning, IT disaster recovery and health and safety compliance. The framework does not replace these policies and procedures, rather the same escalation process exists to capture significant risks from across the organisation regardless of where the risk has been identified.
- 2.11 It is proposed that twice during a municipal year this Committee considers the highest priority risks identified from across the organisation and the mitigation in place, or significant movements in risk scoring or focus on a specific risk category. Risk reporting will be added to the corporate suite of reports and dashboards that the Project Management Office produce for senior management and Members.

### 3. **Policy framework implications**

- 3.1 Formalising and embedding the Risk Management Framework supports delivery of the Corporate Business Plan 2022-2026 as follows:

#### **Corporate Business Plan achievement**

- Improved service delivery: resulting from fewer disruptions/enhanced controls.
- Increased probability of achieving strategic objectives: through minimising or removing key obstacles.

#### **Organisational Development**

- Improved awareness of risk: the Council can become less risk averse if risks are identified, assessed and mitigated.
- Improved corporate governance: through stronger, more transparent evidence-based decision making, accountability and prioritisation.
- Safeguard the organisation and provide assurance to all stakeholders such as elected members and residents.
- Become part of every staff member's competency framework, job description and annual performance review.

- 3.2 Risk management is an integral part of corporate governance, and in particular, closely linked with corporate performance management. As such, the Council's Risk Management Strategy is proposed to be reviewed in line with Corporate Business Planning cycle (next review: 2025 for 2026).

### 4. **Resource implications**

- 4.1 Failure to mitigate risks or take advantage of opportunities could result in financial loss to the Council.
- 4.2 The Framework includes a section on Roles and Responsibilities for risk management and a RACI matrix describing who is Responsible Accountable Consulted Informed for risk activities.
- 4.3 All staff and stakeholders involved in delivery of the Corporate Business Plan, Service Area Plans and business as usual activities have a responsibility to assess and manage risks and identify and apply learning from risk management. Therefore, risk management needs to be part of all day to day activities and forms part of relevant job descriptions.
- 4.4 Training is proposed to be provided internally to support officers develop and apply risk management techniques. Resources will be developed and published to Staff Home.

## **5. Legal implications**

- 5.1 The Council has a legal duty to have risk management arrangements in place, as stated in the Accounts & Audit Regulations 2015 (Part 2: Internal control - Responsibility for internal control):

*“A relevant body must ensure that it has a sound system of internal control which:*

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives.*
- (b) ensures that the financial and operational management of the authority is effective.*
- (c) includes effective arrangements for the management of risk.”*

The risk management framework supports this legal duty.

## **6. Equality implications**

- 6.1 An Equality Impact Screening Assessment will be conducted for formalisation of existing processes and procedures in the new Framework.

## **7. Environmental/Sustainability/Biodiversity implications**

- 7.1 None arising directly from this report.

## **8. Other implications (where applicable)**

- 8.1 Failure to take advantage of opportunities and mitigate business risks is a major risk to the Council and could impact on the Council’s ability to deliver its strategic objectives.
- 8.2 Failure to regularly review and update the Risk Management Framework could have an adverse impact on the Council’s Annual Governance Statement

## **9. Timetable for Implementation**

- 1. Approval at full Council in December 2023

2. Briefing sessions for Managers
3. Release of Risk Toolkit and resources
4. Development of dashboard and reports for Q3 (OND) risk updates.
5. Report to Standards & Audit (Q3) in January 2024
6. Future years bi-annual reporting to Standards & Audit in May and October.

**10 Background papers**

None Stated

**11. Appendices**

- Appendix 'A' Risk Management Framework 2023-2026