

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Risk Management – Corporate Risk Register Update
Meeting date	12 January 2023
Status	Public Report
Executive summary	<p>This report updates councillors on the position of the council's Corporate Risk Register. The main updates are as follows:</p> <ul style="list-style-type: none">• The reporting of the Register continues in the updated format for this quarter;• One new risk has been added - CR8 - Inability to run an election/referendum;• Risk CR17 – Risk to Reputation of Place & Council if summer arrangements are not managed was removed during the quarter;• Material updates to the risks are summarised at sections 19-23.
Recommendations	<p>It is RECOMMENDED that:</p> <p>Members of the Audit and Governance Committee note the update provided in this report relating to Corporate Risks.</p>
Reason for recommendations	<p>To provide assurance that corporate risks are being managed effectively and continue the development of the council's arrangements for Risk Management and enhance its governance framework.</p>

Portfolio Holder(s):	CLlr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant – Chief Executive
Report Authors	Fiona Manton Risk & Insurance Manager ☎01202 127055 fiona.manton@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Update and Information

Background

1. Risk can be broadly defined as the possibility that an action, issue or activity (including inaction) will lead to a loss or an undesirable outcome. It follows that Risk Management is about the identification, assessment and prioritisation of risks followed by co-ordinated control of the probability and impact of that risk.
2. In accordance with the Financial Regulations and the Risk Management Strategy, the Audit and Governance Committee are specifically responsible for ensuring appropriate and effective risk management processes. In practice, this means that the committee members must assure themselves that the council's Risk Management framework is appropriate and operating effectively. The council's Corporate Risk Register is an important element of this framework and is reviewed and updated on a quarterly basis.
3. In line with the decision-making framework in place for BCP Council it was agreed that, effective from day one, BCP Council would, as an interim measure, adopt the legacy Bournemouth Risk Management framework. The scoring matrix in this framework was adjusted to reflect the increased remit of the new authority. A revised Risk Management framework for BCP Council is being finalised and is currently being consulted upon.
4. In addition to the quarterly reviews, in immediate practical terms, the Corporate Management Board (CMB) continues to monitor risks and ensure appropriate and proportionate mitigating actions continue and evolve as risks change.

Corporate Risk Review

5. Members will recall from the previous updates that the Corporate Risk Register was established at the commencement of BCP Council. It has been routinely reviewed on a quarterly basis.
6. Following feedback from the April 2022 meeting of this committee an alternative format for the reporting of risk is included at Appendix 1. The new format contains identical information to that provided previously but seeks to include a clearer quarterly update and a direction of travel for risk scoring.
7. In addition to the above points, the risk response strategy is now included in the risk summary. This defines the strategies being adopted to deal with a particular risk and the four categories are shown below:

Termination: It is impossible to remove or eliminate all risk from an undertaking but it is possible to avoid a particular identified cause.

Transfer: Transfer does not change the risk directly but involves others in its management. The risk transfer strategy aims to pass ownership and/or liability for a particular threat to another party nearly always for payment of a risk premium. This strategy rarely transfers the 'whole' risk. Risk transfer falls into two groups: financial instruments and contractual arrangements.

Treat: By far the greatest number of threat risks will be treated in this way. The purpose of risk treatment or mitigation is to contain the risk at an acceptable level.

Tolerate/accept: There may be limited ability to do anything about some risk, or for a limited number of minor threats the cost of taking action may be disproportionate to the potential benefit gained. In these cases the most appropriate response may be to tolerate or accept the risk.

8. Work is on-going to refine risk strategies in the consideration of the Corporate Risk Register and in future you may see a combination of strategies being reported against risk mitigations and controls.
9. Members will be aware that each risk is given a unique identifying number so where risks have been removed from the register the numbers will no longer run sequentially. To assist the committee a table of the full risks is shown at the beginning of Appendix 1.
10. In order to consider the risks sitting just below corporate level, those risks considered as Key Assurance Risks are reviewed. These include Information Governance, Emergency Planning and Business Continuity and Health and Safety and Fire Safety.

Corporate Risk Presentations

11. Members will recall a special meeting of the Audit and Governance Committee took place on 1 December 2022. The purpose of this meeting was to provide the Members of the committee with more information on the specific risks associated with the following two Corporate Risks:

CR13 – Failure to deliver the transformation programme
CR20 – Failure to adequately deliver the ambitions of the climate change emergency declaration
12. In relation to CR13 a presentation was delivered by the Chief Executive supported by the Director of IT & IS. This provided more detail on the programme and the associated risks.
13. Members provided a helpful challenge in terms of the risks relating to this programme and following the discussions reporting of this risk to future Audit and Governance Committee meetings will include specifically comments on the following aspects of the risk:
 - Financing of the transformation programme
 - Progress against project plan in terms of delivery timescales
 - Integration of data
 - System resilience
14. Other aspects of the risk were also discussed such as the risk of obsolescence, security risks and, separately, risks relating to Pay and Reward. Some of these are included in other existing corporate risks. If they are not suitably considered, they will remain as discussion points for each quarterly review where relevant.

15. Risk CR20 was presented by the Chief Operations Officer and the Head of Climate Action. The presentation provided information on the aim of the council in terms of adequately delivering the ambitions of the climate change emergency declaration.
16. Climate change is a complex risk with a number of elements and associated responses. In response to this a programme is in the process of being developed to plan necessary actions. The governance arrangements of the programme were explained along with the strategy refresh process which is scheduled to be presented to Council in April 2023.
17. Members provided beneficial clarifications on various aspects of this risk and future reports to this committee will ensure the following areas are included in the quarterly updates:
 - Progress against Programme key milestones
 - Information on any matters being delayed
18. Other aspects of the risk particular to BCP Council were discussed and as the programme continues to develop further information on the impacts will be included in risk updates.

Changes in Risk During Quarter 3 – 2022/2023

19. During the quarter, the risks on the risk register have been reviewed and in addition to the updates to each risk, the material updates to the register are as follows:
 - CR15 – Effective People Strategy – the scoring of this risk was reviewed during the quarter and the net score reduced from 16 to 12. This reflects that whilst the risk remains at a high level, significant mitigations have either been implemented or are in progress.
 - CR8 - Inability to run an election/referendum - has now been escalated to the Corporate Risk Register in preparation for the local elections of 2023. The risk was being managed at service level, but it is usual to escalate it to the corporate level in the period prior to any elections.
 - Risk CR17 – Risk to Reputation of Place & Council if summer arrangements are not managed – has been removed from the Corporate Risk Register and has reverted to service level. This risk will be reviewed again in the next quarter to determine if it should be escalated to corporate level.
20. Whilst it may be noted that many of the risk scores have not changed, this is not reflective of management action or inaction. Risks will continue to be influenced by a number of factors including national impacts and operational environment changes. During each quarter risk owners routinely review the allocated scores along with further discussion by CMB.
21. During this quarter in addition to the review of individual risks, the connectivity of risks was also considered in relation to the Corporate Risk Register. CMB will continue to be mindful of the accumulation of risk. New risk causes, such as inflation, may impact across several risks and in turn compound the overall risk position for the council in a negative way.
22. As part of the continuing development in terms of the reporting of risk registers, the format of the report for this committee now includes a section for each risk which outlines the link to the relevant Corporate Objective(s).
23. Full details of the updates for this quarter can be found in Appendix 1.

Dynamic Risk Review Process

24. Recognising the rapidly changing environment and the increasingly complex interaction between some of the Corporate Risks, a standard agenda item has been added to CMB to add a further layer to the risk review process.
25. This new process allows for more dynamic consideration of the immediate responses required to some of the corporate risks, which will help the Corporate Risk Register to be considered, managed and communicated through the organisation.
26. The consideration of the risks in this way will also inform the regular quarterly reviews that continue to take place in a more timely manner, by flagging changes in risk profile ahead of the regular reviews with risk owners, which will continue to take place in individual meetings.

Service Development

27. In addition to the reviews of Corporate Risks, the Risk Management Team continues to be engaged in the refresh of service risk registers. This includes engaging with services to understand their current risk arrangements, how these can be improved to deliver a proactive and dynamic Risk Management environment and how the Risk Management Team can support them in this to deliver a consistent and embedded approach to Risk Management throughout the council. This work is progressing well.
28. In conjunction with IT a project has been underway for the last 12 months to develop an application for the collation of all risk registers. This process is nearing conclusion with a soft launch of initial functionality. Utilising the soft launch process, some minor system updates are in progress to allow the process of the addition of all risk registers to commence. This test process is nearing conclusion and the Corporate Risk Register will be added to the system during January 2023 with all service risk registers being included by April 2023. This will provide an increased ability to monitor and report on the risk registers and provide greater oversight of service level risks.
29. Work is concluding on finalising the draft of a new Risk Management framework for BCP Council. Consideration will need to be given to the council's risk appetite by CMB and the processes for managing risk consistently across the council. This builds on the current position and seeks to enhance the mechanisms for risk reporting and risk escalation. The updated Risk Management Policy for the council is currently being consulted upon and will be reported to this committee as soon as this process is complete.
30. As part of the role of the team, continuous "horizon scanning" is undertaken to identify issues that may give rise to risk for the council. When matters are identified, these are raised with the relevant Corporate/Service Director for review and consideration of any necessary action. Examples during this quarter include:
 - Routinely reviewing the outcomes of internal audit reports to raise risk issues with the relevant service risk champion to ensure, if appropriate, they are suitably reflected and captured in the service risk register.

Summary of financial implications

31. Financial implications relevant to risks are detailed within the relevant risk registers.

Summary of legal implications

32. There are no direct legal implications from this report.

Summary of human resources implications

33. There are no direct human resources implications from this report.

Summary of sustainability impact

34. There are no direct sustainability implications from this report.

Summary of public health implications

35. There are no direct Public Health implications from this report.

Summary of equality implications

36. There are no direct equality implications from this report.

Summary of risk assessment

37. The risk management implications are set out within the content of this report.

Background papers

Risk Management – Corporate Risk Register Update Report to the Audit and Governance Committee on 27 October 2022

Appendices

Appendix 1 – Corporate Risk Register Update Q3 – 2022/2023