

Name of meeting: Corporate Governance & Audit Committee
Date: 16th November 2018

Title of report: Risk Management Update

Purpose of report; To provide information on the Councils Risk Management Statement and its arrangements for Corporate Risk Management.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	Not applicable
The Decision - Is it eligible for "call in" by Scrutiny?	Not applicable
Date signed off by Director & name	J. Muscroft 31/10/18
Is it also signed off by the Service Director for Finance, IT & Transactional Services	
Is it also signed off by the Service Director - Legal Governance and Commissioning?	Yes
Cabinet member portfolio	Not applicable

Electoral wards affected: All
Ward councillors consulted: Not applicable

Public

1. Summary

- 1.1 Although the Council has had a Risk Management Strategy for many years this was substantially rewritten and re-codified earlier this year as a Risk Management Statement.
- 1.2 This report sums up the current position, and indicates the actions that are currently being taken and still need to be taken to improve the organisations approach to risk management.
- 1.3 This Committee has a role in monitoring the effectiveness of the councils arrangements for risk management.

2. Information required to take a decision

- 2.1 The new approach to Risk Management was formally adopted by Cabinet in March 2018. It includes the following features;
 - (1) A Corporate Risk Matrix that sets out the key corporate threats.
 - (2) A requirement that each Directorate or service area produces and updates (quarterly) its own Service Risk Matrix.
 - (3) A process of reporting and discussing emerging risks with senior management.

- (4) Improved governance and oversight by the use of a Risk Panel which assesses the adequacy of arrangements and the appropriateness and significance of threat.
- (5) Opportunity to consider through these processes the level of the organisations risk appetite.
- (6) The approach still considers Probability/Likelihood (1-5) and Impact (1-5) giving scores up to 25. Risk are then allocated green (acceptable), yellow (requires awareness) and red (requires action or attention). There is a coloured risk index table that identifies the risk as these are based on the combination of probability and impact. (see Appendix 1).
- (7) There is a stronger codification of what types of risk should be given particular scores.

All these features are set out in the full statement.

- 2.2 The most recent Corporate Risk Matrix, which sets out the key corporate threats that exist against the Council features as a part of the Cabinet decisions on initial budget planning for 2019/20 - attached at Appendix 2 .Many of these risks are perpetual or long standing, and are common to large organisations, and other local authorities, although some are Kirklees specific. This is very similar to previous years, but structured more logically, and it now includes risks associated with Brexit. Although there are controls in place, all these risks create high threat levels to the achievement of outcomes and or are not in the sole control of the council.
- 2.3 Directorates/services were asked to produce and regularly update a service or directorate risk matrix. Most but not all areas produced a Matrix, although these were of variable quality. It does not seem that regular discussion at directorate management teams is always taking place.
- 2.4 Separate arrangements continue to collect information about emerging risks to the organisation. These are being reported to and debated by senior management. This at least ensures that there is an understanding and an opportunity for their involvement and influence.
- 2.5 The lack of integration of the processes at 2.3 and 2.4 is not ideal, as risk should emerge from the operational levels through services and directorates. This is intended to be a reasoned and rationalised consideration of risks that particular circumstances create as threats to the entity and any appropriate treatments, with escalation where appropriate.
- 2.6 The Risk Panel has been established and has met on a number of occasions. It has contributed to the evaluation of the corporate risk matrix and its' restructuring, and has commented on the inadequacy of the current service/directorate arrangements and matrices as a way of informing about emerging risk and corporate threat.
- 2.7 In respect of the latter, the Risk Panel has asked the Head of Risk to work with services and directorates to bring about improvements in the standard of the matrices and the operation of the hierarchical reporting structure. It is intended that this work will take place during the autumn, although resources available to do this are limited.
- 2.8 This is not to suggest that the Council does not have broadly sound arrangements for managing many risks, but it is important to recognise that a culture of openness and discussion is an important feature of any risk management arrangements.

- 2.9 The Council does not have any full arrangements to understand the status and levels of assurance that its business systems and processes bring. This creates a further potential exposure to risk.
- 2.10 This report is intended to help fulfil the Committees monitoring of the effectiveness of the Councils arrangements for risk management.

3. Implications for the Council

- 3.1 Early Intervention and Prevention (EIP) –risks threaten achievement of objectives
- 3.2 Economic Resilience (ER) – risks threaten achievement of objectives
- 3.3 Improving Outcomes for Children - risks threaten achievement of objectives
- 3.4 Reducing demand of services -risks threaten achievement of objectives
- 3.5 As each of the sub categorisations above suggest, risks threatens the achievement of corporate objectives. Failure to address the risks adequately may consume more resource than is necessary, leading to unexpected real or opportunity cost, and reputational damage.
- 3.6 For this reason having effective arrangements – identification, awareness, consideration, action and monitoring of effectiveness are important features of any risk management system

4. Consultees and their opinions

- 4.1 Strategic directors, service directors and head of service are all involved in the risk management process

5. Next steps

- 5.1 To consider if any additional activity is sought, beyond that noted in 2.7.

6. Officer recommendations and reasons

- 6.1 Members are asked to note the update on risk management.
- 6.2 Members are asked to comment on their views on the adequacy and completeness of the current Corporate Risk Matrix.

7. Cabinet portfolio holder recommendation

- 7.1 Not applicable.

8. Contact officer

Martin Dearnley, Head of Risk (01484 221000; x 73672)

9. Background Papers and History of Decisions

The Risk Management Statement (March 2018)

10. Director responsible

Julie Muscroft, Service Director Legal Governance & Commissioning

Appendix 1;

RISK INDEX

		Probability				
		Rare	Unlikely	Possible	Probable	Almost certain
Impact		1	2	3	4	5
Very Significant	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5

From Risk Management Statement.

Appendix 2

CORPORATE RISK REGISTER & RISK MANAGEMENT ACTION PLAN SEPTEMBER 2018