

## Rother District Council

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	21 March 2022
<b>Title:</b>	Risk Management Update
<b>Report of:</b>	Gary Angell, Audit Manager
<b>Purpose of Report:</b>	To consider the updated Corporate Risk Register and to discuss the issues and actions detailed in the report.
<b>Officer</b>	
<b>Recommendation(s):</b>	It be <b>RESOLVED</b> : That the Council's Corporate Risk Register at Appendix A be noted.

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### Introduction

1. This report provides a position update on Risk Management processes and the key strategic risks currently facing the Council.
2. Risk refers to the uncertainty that surrounds future events and outcomes. It is essential that the Council adopts a strong approach to Risk Management as it emerges from the COVID-19 pandemic, especially given the current backdrop of significant financial pressures.
3. Following the retirement of the Assistant Director Resources, the Audit Manager has now taken on the role of Risk Management Co-ordinator. This role primarily involves maintaining the Risk Management Policy and collating and reporting on updates to the Corporate Risk Register. The responsibility for identifying and managing risks, however, remains with Senior Management.
4. In addition to reporting on the latest version of the Corporate Risk Register, this update also outlines some of the recent improvements made to the Risk Management process and other changes planned for later in the year.

### Risk Management Policy

5. The Council has a simple overarching Risk Management Policy which sets out the responsibilities of Members, Corporate Management Team and Heads of Service. This was last reviewed in February 2020.
6. This document is now due for a further review, but this work has been temporarily postponed while the Council awaits the outcome of two third party assessments of its current Risk Management arrangements, namely:
  - Enterprise Risk Management, Business Continuity and Disaster Recovery Review by Zurich Resilience Solutions (currently at draft report stage), and
  - Risk Management Value for Money study being undertaken by our External Auditor, Grant Thornton

7. The findings of both these reviews will need to be taken into consideration before making any changes to the current policy. This is to ensure that the policy conforms with best practice and incorporates any recommendations for improvement. The revised policy will be reported to this Committee at the next Risk Management Update in September 2022.

### **Corporate Risk Register**

8. In the past the Corporate Risk Register has only been formally reviewed twice a year. The Audit Manager is now looking to introduce quarterly reviews and will also be encouraging lead officers to update their risks in the Corporate Risk Register in between meetings, as and when required. All progress will continue to be reported to this Committee on a six-monthly basis
9. The Audit Manager has recently discussed the content of the Corporate Risk Register with Senior Management and has updated it to reflect their views. The latest version is shown in Appendix A.
10. All risks were reevaluated, and some scores amended. New risks were also added in respect of Temporary Accommodation Costs (Risk 1), Interest Rate Increases (Risk 2) and Changes to the Rules around the Minimum Revenue Provision charge (Risk 7).
11. During the review of the Corporate Risk Register a few improvements were made which included:
  - Ensuring that there is a named lead officer assigned to each risk.
  - Merging some of the overlapping risks.
  - Rearranging the order of the risk register so that the highest (residual) risk items appear at the top.
  - All new risks added since the last update are flagged.
12. Despite reevaluating the risk scores, it is noted that in almost half of the cases listed, the risk score after mitigation is the same as the inherent risk. However, this does not necessarily mean that mitigating action has failed to reduce the risk. In most cases, it simply reflects the limitations of the current 3x3 risk scoring matrix, which allows no room for subtle changes. For example, the next step down from a high (red) risk rating of 15 is a medium (amber) risk score of 9, and whilst risk owners would like to acknowledge the positive effect of their mitigations, they may also feel uncomfortable about reducing the score by this much. It is therefore proposed to introduce a 5x5 risk scoring matrix for future risk evaluations to allow for more nuanced scoring.
13. Other proposed changes include:
  - Defining the Council's risk appetite so that Senior Management can score risks accordingly.
  - Reviewing whether to separately list certain high profile Corporate Plan projects in the Corporate Risk Register rather than covering them all under Risk 21 (Major Projects).
  - Considering the findings and recommendations of the third party reports mentioned above and amending the format of the Corporate Risk Register where appropriate.

14. One further, longer-term objective would be to establish a mechanism for the Corporate Plan Risk Register and all service-based and project risk registers to feed into the Corporate Risk Register, preferably adopting a similar template, and scoring method for all risk registers at all levels. Training and guidance may also be required to ensure that managers are equipped with the necessary tools to identify and evaluate risk.

### Service Based Risk Registers

15. It was agreed at the March 2021 meeting (Minute AS20/46 refers) that this Committee would review the risk registers kept by individual service areas. The purpose of this was to raise awareness of the key operational risks faced by each service area and the mitigations that are in place to prevent or reduce their impact. However, this process has since halted as a result of changes to the management structure.
16. Given the next stages of the corporate organisational restructure are yet to be finalised, it is not proposed to report any further service risk registers to this Committee until such time as this work is completed and the requirements for maintaining risk registers in specific areas of the Council are more clearly defined.

### Conclusion

17. The ongoing financial pressures faced by the Council mean that its acceptance of risk may have to increase, but this needs to be actively managed by both officers and Members. The process of embedding Risk Management practices at all levels of management will take time to achieve but steps are already being taken to improve procedures.

### Risk Management

18. The failure to adequately monitor and respond to an ever changing risk environment could have serious negative consequences for the Council.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	Yes		

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Appendices:	A – Corporate Risk Register
Relevant Previous Minutes:	AS20/46 Risk Management Update
Background Papers:	None.
Reference Documents:	None.