

Audit Committee

Item No.

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| Report title: | Risk Management Report |
| Date of meeting: | 18th April 2019 |
| Responsible Chief Officer: | Executive Director, Finance and Commercial Services |
| Strategic impact One of the Audit Committee's roles is to consider the Council's risk management. Assurance on the effectiveness of risk management and the corporate risk register as a tool for managing risk helps the Committee undertake some of its key responsibilities. Risk management contributes to achieving corporate objectives and is a key part of the performance management framework. | |

Executive summary

This report provides the Committee with the corporate risk register as it stands in April 2019, along with an update on the Risk Management Strategy, and other related matters, following the latest review conducted during March 2019.

Risk management is reported separately but the reporting is aligned with, and complements, the performance and financial reporting to relevant Committees.

The corporate risk register was last reported to the Policy and Resources Committee in March 2019, prior to being refreshed earlier that month to show the latest developments. These developments are reported to this Committee for governance purposes.

Officers have worked through any risk related questions and comments from that Committee and responses will be supplied separate to this report. The latest significant changes since the last Risk Management report to Audit Committee are shown in **Appendix A** (the risk reconciliation report). The latest progress against mitigations for corporate risks since the last Audit Committee is shown at **Appendix B** (the risk register report).

Recommendations:

Committee Members are asked to consider and agree:

- The changes to the corporate risk register (**Appendices A and B**), the progress with mitigating the risks; and
- The scrutiny options for managing corporate risks, (**Appendix C**);
- The heat map of corporate risks (**Appendix D**);
- The background information to the report (**Appendix E**);
- If any further action is required.

1. Proposal

- 1.1 Executive Directors have been consulted in the preparation of the corporate risk register, along with the risk reviewers who have reviewed and updated the risks where there have been changes since the last report. The recommendations of this report can be found above.

2. Evidence

2.1. Direction

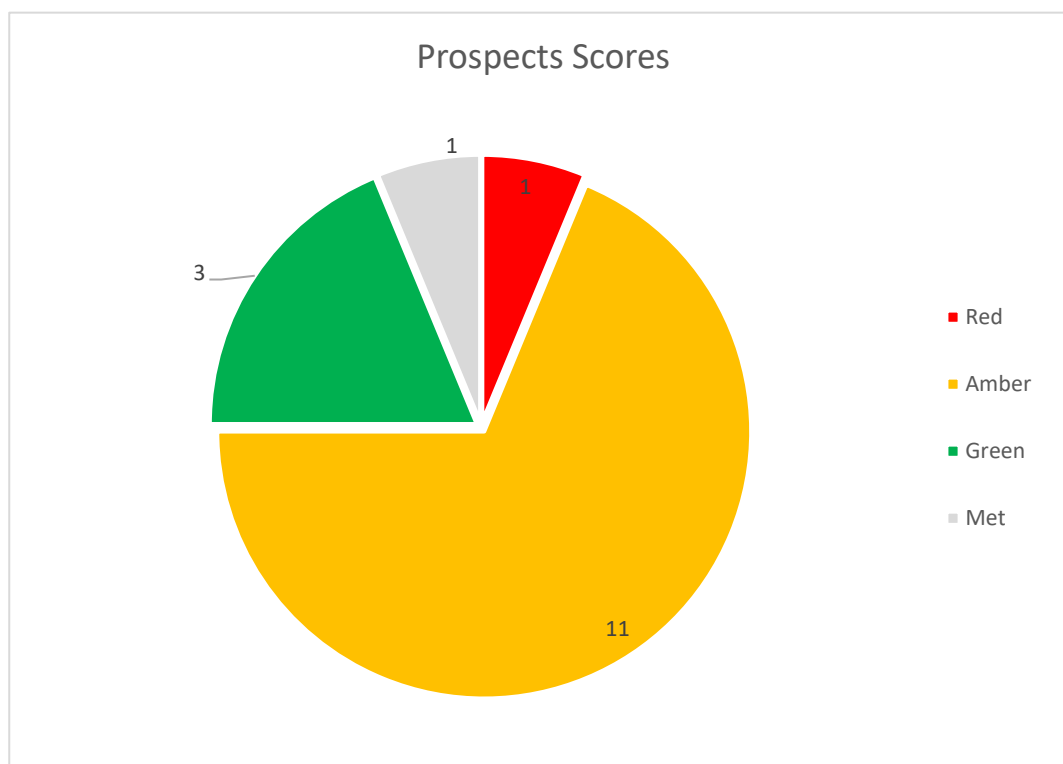
- 2.1.1. The Council's Medium-Term Financial Strategy 2019-22, adopted by the Council on 11 February 2019, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. The Policy and Resources Committee agreed to developing a whole Council Six Year business plan on 26 January 2019. With regards to the development of Norfolk Futures, framed by four key principles, which considers seven priorities that the Council is working towards achieving, the Council is leading on, and delivering, changes, and is becoming more strategic with the right attitudes and skills, able to change at pace while shedding cost. The Council is continuing to strengthen governance and performance management, which include effective risk management arrangements. The overall direction should move towards a reduction in corporate risk scores, wherever possible.
- 2.1.2. Following the full Council meeting on 10th December 2018, Members have voted to move to a Cabinet System as of May 2019. Considering this, the implications of organisational change for Annual Governance reporting, Risk Management and internal controls are being monitored.
- 2.1.3. A Medium-Term Risk Management Strategy has been initiated and is currently being developed by the Risk Management Officer, whereby the current and future activities of the Risk Management Function, carried out to further embed the Risk Management Policy, will be formally documented.

2.2 Progress

- 2.2.1 Overall, corporate risk scores continue to be generally stable, with a lowering of two risk scores as noted in **Appendix A**. Since the last report to the Audit Committee, further work has been carried out developing risk mitigations and progress reports that are more specific, measurable, achievable, realistic and timed, and aligning the plans and progress reporting more closely with each other. Progress against mitigations set can be better identified, moving towards a reduction in risk scores, wherever possible. The goal is to better reflect the significant corporate risks to Norfolk County Council, considered by the Shadow Corporate Board. From May 2019, these will be owned by the Corporate Board.

- 2.2.2. Work continues to take place to further develop risk management, which continues to be reviewed and strengthened. The revised Risk Management Policy and accompanying procedures are in place and the Risk Management Officer is promoting these through training provided around the Council.
- 2.2.3. The latest corporate risk register details 16 open risks, presented at **Appendix B**. Corporate risks are where the occurrence of an event may have an impact on the County Council achieving its objectives or missing opportunities. Each risk has been allocated to the appropriate Executive Director along with a risk owner and reviewer who are able to influence the mitigation and regularly report on progress so that all reports contain the most current information relating to the risk. It is the nature of corporate risks that every Executive Director has a responsibility to contribute, support and progress the tasks to mitigate the risks, considered by the Shadow Corporate Board and Departmental Management Teams.
- 2.2.4. **Appendix B** contains a full description of each corporate risk with the tasks to mitigate it and the progress of that mitigation. There are three risk scores (original, current, and target), with each score expressed as a multiple of the impact and the likelihood of the event occurring.
- 2.2.5. There is one risk with a red rated current risk score:
1. **RM023 – Lack of clarity and failure to act upon changes to demography, funding, and government policy, with particular regard to Adults Services.**
- 2.2.6. Risk owners have considered whether the risks will meet the target score by the target date, shown as a prospects score (see Figure 1). One risk is rated “Red” as meeting the target risk score is overdue, Eleven risks are assessed as “Amber–some concerns” that targets may not be met, and three are assessed as “Green - on schedule” to meet their target by the target date. One risk score has been assessed as meeting its target score by the target date, but is a continuous risk in its nature, and remains on the corporate risk register. There is close monitoring of the progress against mitigation actions in place, which determines the prospects score.
- 2.2.7. A reconciliation to the January 2019 Audit Committee report is presented at **Appendix A**, detailing the significant changes to corporate risks since the January 2019 report.
- 2.2.8. As part of the overall development of the performance and risk management framework for the Council, there is a continuation of the approach involving the development of corporate and departmental level risks that are: outcome focussed; linked to strategic priorities; business critical, identifying areas where failure places the organisation in jeopardy; linked to financial and performance metrics. It is dependent upon a shared understanding of the risk appetite of the council.
- 2.2.9. A key element of this work is cultural change and absolute clarity of roles, responsibilities and process. Specifically, clarity of what these risks are, who is responsible for them, what they are doing to actively manage the risks and what measures are in place to hold people to account.

- 2.2.10. To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C**.
- 2.2.11. Explanations for the various scores and terminology can be found in the Risk Management Procedures, which are available to Members and officers.
- 2.2.12. For ease of reference the risks have been plotted on a heat map, in **Appendix D**, to illustrate each risk's relative position measured by likelihood and impact for their current risk score.
- 2.2.13. The criteria for Corporate risks and a description of target scores is shown at **Appendix E**.
- 2.2.14. Fig. 1. below reflects the percentages of risks in each prospects category.



2.3 Development

As part of continuing development, four themes will be developed as business as usual for Risk Management. These are as follows;

- Strategy into Action / Accountability
- Commerciality / Business like
- Data Analytics / Evidence Based
- Collaboration / Influencing

The following strands are identified for taking forward;

Strategy into Action / Accountability

2.4.

- Formalising a strategy to deliver the new RM Policy
- Developing a more Enterprise Risk Management (ERM) approach for NCC
- Being a 'Centre of excellence' for Risk Management

Commerciality – Business Like

2.5.

- Developing a traded Risk Management Service to other public-sector bodies
- A Service Level Agreement approach for the function.

Data Analytics – Evidence based

2.6.

- Develop Risk Management data measures and sources
- Quality Assure the risk register content

Influencing – Collaborative

2.7.

- Training plan for NCC managers on Risk Management
- Establish a role for NCC in the Eastern Region and national ALARM group

3 Future Corporate Risk Management Governance

- 3.1. The Council will be implementing changes to the system of governance in May 2019. It is proposed that the Corporate Board receives sight of the Council's corporate risks in addition to these continuing to be reported from a governance perspective to the Audit Committee.

4. Financial Implications

- 4.1 Financial implications are considered in the corporate risks presented. A presentation with further information on the high needs block will be presented by a representative from the Children's Services department to this Committee.

5. Issues, risks and innovation

- 5.1 There are no further corporate risks to report other than those detailed in this report. Further aspirations for innovation can be viewed in the Risk Management Annual Report that is also presented to this Committee.

6. Background

- 6.1 The review of existing risks has been completed with responsible officers.

- 6.2 An explanation of some of the terminology used within the report can be found at **Appendix E.**

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, i.e. equality impact assessment, please get in touch with:

Officer name : Adrian Thompson **Tel No. :** 01603 222784

Email address : adrian.thompson@norfolk.gov.uk

Officer name : Thomas Osborne **Tel No. :** 01603 222780

Email address : thomas.osborne@norfolk.gov.uk



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