Audit Committee

Item No. ….

Report title:	**Risk Management Report**
Date of meeting:	**21 September 2017**
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 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 September 2017, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during August 2017.

Risk Management is reported in its own right 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 Audit Committee (for risk management assurance) in June 2017, prior to being refreshed in August 2017 to show the latest developments. Officers have worked through the suggestions from that Committee. The latest developments since the last Policy & Resources Committee (where corporate Risk Management was last reported) in July 2017 are shown in **Appendix A** (the risk register report). A reconciliation of corporate risks from the last Audit Committee in June 2017 is shown at **Appendix B.**

Recommendations:

Committee Members are asked to consider:

a. The changes to the corporate risk register **(Appendices A and B)**, the progress with mitigating the risks; and
b. The scrutiny options for managing corporate risks, (**Appendix C)**;
c. The movement of corporate risks since the last meeting **(Appendix D)**;
d. If any further action is required.

1. Proposal

1.1. The County Leadership Team has been consulted in the preparation of the corporate risk register.

2. Evidence

2.1. Direction

2.1.1. The Council's Medium Term Strategy and Financial Plan, adopted in February 2017, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. Considering 'being the organisation we need to be', the Council is leading on, and delivering, these 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. Since August 2015 when the responsibility for Strategic Risk Management passed over to the Chief Internal Auditor, a Medium Term Risk Management Strategy 2016-19 has been initiated, and is currently being developed by the Risk Management Officer.

2.1.3. Work is taking place to further develop performance management. Risk Management continues to be reviewed and strengthened. The Council's Management of Risk Framework, including the Risk Management policy was last revised in 2014 and, whilst it has been fit for purpose, is now being refreshed to incorporate current governance, organisational and developments in best practice.

2.2 Progress

2.2.1 Overall, corporate risk scores continue to be generally stable. 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. The corporate risk register is now joined up with the Council's 2017-18 Internal Audit Plan, with separate risk scrutiny applied by the Risk Management Officer to corporate risks where audits have not been identified. 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 risks to Norfolk County

Council, and the actions required to mitigate them, managed by the County Leadership Team, and owned by the Policy and Resources Committee.

2.2.2. The latest corporate risk register details 19 risks presented at **Appendix A**. 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, through the County Leadership Team and their Departmental Management Teams.

2.2.3. **Appendix A** 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.

2.2.4. There are two risks with a 'current' red rated risk score:

1. RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)
2. RM020a – Failure to meet the long term needs of Norfolk citizens.

2.2.5. Risk owners have considered whether the risks will meet the target score by the target date, shown as a prospects score. Twelve risks are assessed as "Amber– some concerns" that targets may not be met, and four are assessed as "Green - on schedule" to meet their target by the target date.

2.2.6. There are three risks with a 'prospects' target red risk score (see note 2 for the definition):

1. RM014b - The savings to be made on Adult Social Services transport are not achieved.

2. RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)

3. RM022 - Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff.

   For each of these three risks, additional mitigations have been introduced to ensure that the risk is managed as effectively as possible.

2.2.7. A reconciliation to the June 2017 Audit Committee report is presented at **Appendix B,** detailing the significant changes to corporate risks since the June 2017 report.

2.2.8. As part of the overall development of the performance and risk management framework for the Council, a new approach to corporate and departmental risk management is being adopted. This new approach involves 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.

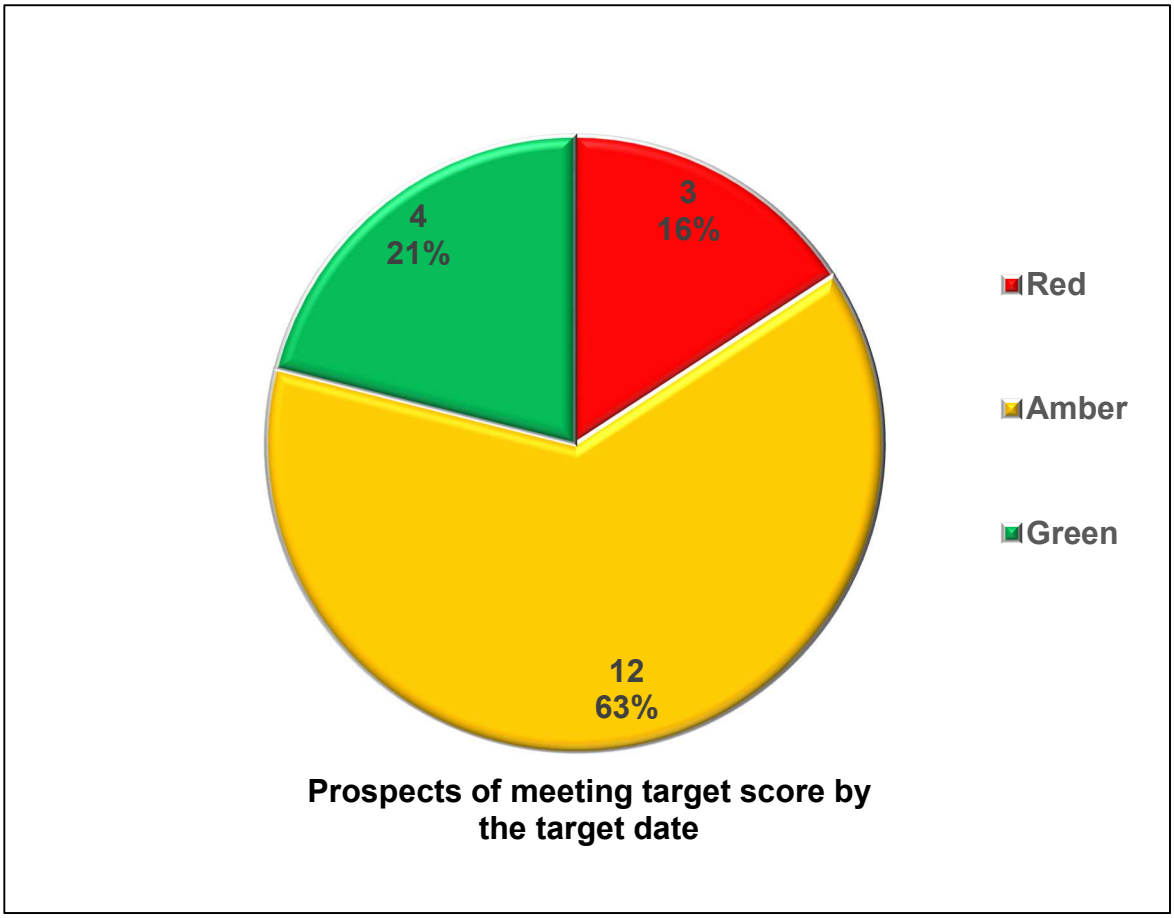
2.2.10. To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a new list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C.**

2.2.11. Explanations for the various scores and terminology can be found in a 'Bite Sized Guide to Risk Management' previously presented in an Audit Committee meeting agenda paper, pages 368-378. Risk scores are based on the scoring model found in the Norfolk County Council Management of Risk Framework.

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 and Departmental risks are described at Note 1.
A description of target scores is shown at Note 2.

2.2.14. Fig. 1. Reflects the percentages of risks in each prospects category.



2.2.15 Overall, progress is considered satisfactory, and mitigations are proportionate to the Amber prospects rating.

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;

2.4. Strategy into Action / Accountability

- 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

2.5. Commerciality – Business Like

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

2.6. Data Analytics – Evidence based

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

2.7. Influencing – Collaborative

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

3. Risk Management reporting to Committees

3.1. Risk Management is reported separately to Financial and Performance Management at Committees, although there continue to be close links between financial, performance, and risk reporting. The departmental reporting continues to be by exception, including full information for risks with a current risk score of 12 and above where the prospects of meeting the target score by the target date is reported as amber or red. A risk report is presented to each Committee on a quarterly basis, at the same time as the Finance and Performance Reports.

4. Financial Implications

4.1 There are potential financial implications arising from RM017, relating to the NDR, as set out in the report in Appendix B.

5. Issues, risks and innovation

5.1 There are no further corporate risks than those described elsewhere in this report. The Risk Management Strategy 2016-19 will include best practice. The intention is to promote the benchmarking of the function from 'Highly rated against peers' to 'world class'.

6. Background

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

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:

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Note 1:

A Corporate Risk is one that:

- requires strong management at a corporate level thus the Council Leadership Team should direct any action to be taken
- requires input or responsibility from more than one Executive Director for mitigating tasks; and
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key corporate objectives and/or suffer a significant financial loss or reputational damage.

The criteria for a Departmental Risk Register is that:

- It requires strong management at a departmental level thus the Departmental Management Team should direct any action to be taken.
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key departmental objectives and/or suffer a significant financial loss or reputational damage.

Note 2:

The prospects of meeting target tolerance scores by the target dates are a reflection of how well mitigation tasks are controlling the risk. The contents of this cell act as an early warning indicator that there may be concerns when the prospect is shown as amber or red. In these cases, further investigation may be required to determine the factors that have caused the risk owner to consider that the target may not be met. It is also an early indication that additional resources and tasks or escalation may be required to ensure that the risk can meet the target tolerance score by the target date. The position is visually displayed for ease in the “Prospects of meeting the target score by the target date” cell as follows:

- Green – the mitigation tasks are on schedule and the risk owner considers that the target score is achievable by the target date
- Amber – one or more of the mitigation tasks are falling behind and there are some concerns that the target score may not be achievable by the target date unless the shortcomings are addressed
- Red – significant mitigation tasks are falling behind and there are serious concerns that the target score will not be achieved by the target date and the shortcomings must be addressed and/or new tasks introduced.