

Extract from the minutes of the Governance and Audit Committee meeting of 26 July 2022

322. 2021/22 Year End Review of Risk Management

The Committee considered a report providing members with an overview of the Council's risk management activity undertaken during the financial year from 1 April 2021 to March 2022.

Andrew Weavers, Monitoring Officer, introduced the report to the Committee and assisted the Committee in its deliberations. He explained that the Committee were invited to review the Risk Management Strategy and recommend it to Cabinet, who in turn could refer it to Council for inclusion with the Policy Framework. There had been no changes to the fundamental processes underpinning the Strategy, but the opportunity had been taken to update some of the terminology. The strategic risks were reviewed quarterly by the Senior Management Team. The latest review had been undertaken in June and the risks identified were shown in the Risk Register. The current strategic risks facing the Council were set out at paragraph 1.4 of the Assistant Director's report.

In discussion, the Committee indicated it was surprising that risk ST2 on Spending Power did not identify public sector wage growth and the potential for industrial action as risks and also that the Risk Register did not identify key person dependency as a risk. The Monitoring Officer explained that these issues would be looked at the next review of the strategic risks by the Senior Management Team in September.

In respect of the Risk Matrix, concern was expressed by a member of the Committee that several risks had moved through two bands without sufficient detail on mitigation to explain why. More detail needed to be provided so there was better understanding of why risks had changed bands. In terms of residual risks, five risks sat outside the risk tolerance line and there was insufficient information to explain what was being done to move them back within tolerance. Confirmation was also sought as to who set the risk tolerances. In terms of the Risk Management Strategy, there was nothing on Black Swan events (i.e. events that were infrequent but had the potential to have a very significant impact threatening the future of the organisation). The Strategy should identify how these issues would be dealt with in future. Whilst

the Risk Management Processes set out in Appendix 1 were noted, there was no reference to risk closure.

The Monitoring Officer explained that risk tolerances were agreed by the Senior Management Team and a written response on the issues raised on residual risks would be circulated to the Committee.

The Committee also explored issues relating to risk ST3 on Partnership Commitment. It was suggested that the Council ought to be more proactive in assessing the risks of dependency on partners and the possibility that they may change structure or direction, before the Council began to rely them for the delivery of strategic priorities. The Council should be more cautious in its reliance on partners for delivery of strategic priorities and should always consider the potential impact of the failure of partner organisations at the outset. If services were delivered in house this risk was mitigated as Cabinet would have complete control. The pitfalls of partnership working were clearly shown in the commentary to risk ST3 and due diligence should have been undertaken on the Clinical Commissioning Group before entering into partnership with them. The risk would not have had such a high rating if the Council had sought the right assurances in the first place.

Other members of the Committee emphasised the importance of working with partners and that, given the resources under the Council's direct control, partnership working enabled the Council to deliver considerably more to residents. The Council did have to accept the risk that the financial position or strategic direction of partners could change. That needed to be assessed as early as possible and mitigated where possible but it should be recognised that it could be very difficult to assess the risk of, for example, a change in government policy. As partnerships developed and grew stronger the likelihood of this risk should decrease.

The need to keep risks under regular review, particularly those that related to frontline services that supported residents, was emphasised. This would minimise the risk of disruption to vital services for residents.

The Monitoring Officer explained risk ST3 looked at the implications for the authority if partnerships were to fail. It had been reviewed and raised as a risk for the reasons set out in the report. However, the Council did understand what those potential impacts were. As much mitigation as possible was put in place and the Council worked very closely with partners to try and ensure this did not happen.

The Chair invited Councillor King, Leader of the Council and Portfolio Holder for Strategy, and Councillor Cory, Portfolio Holder for Resources, to respond to the debate. Councillor King indicated that he had found the Committee's comments very helpful and he would continue to review and take advice on the issue. He believed the risk ST3 had been appropriately assessed and rated but the quality of relationships with partners was vital and mattered more than the quality of the project management. Councillor Cory indicated he understood the concerns that had been raised and that perhaps another level of assurance should be sought in such circumstances, given the importance of these partnership in delivering the Council's priorities. He echoed the comments made about risks reducing as partnerships grew and emphasised that these partnerships reduced the Council's risks in terms of budgetary commitments. The changes in the health arrangements set out in risk ST3 had been driven by government policy. However, the relationships built up previously through the Alliance would mitigate the risks of these changes.

It was also queried whether risk CO3 on financial inequality should have increased, particularly in terms of probability, given the cost of living crisis, It was suggested that Cabinet could take note of this when it reviewed the Risk Register and Strategy.

RESOLVED that the submission of the Assistant Director's report to Cabinet to approve the risk management strategy for 2022/23 be endorsed.