

<b>Report of</b>	<b>Assistant Director of Policy &amp; Corporate</b>	<b>Author</b>	<b>Hayley McGrath</b> ☎ 508902
<b>Title</b>	<b>2018/19 Year End Review of Risk Management</b>		
<b>Wards affected</b>	Not applicable		

## **1. Executive Summary**

- 1.1 This report provides members with an overview of the Council's risk management activity undertaken during the financial year from 01 April 2018 to 31 March 2019.
- 1.2 Effective management of risk is essential to ensuring that the Council's aims and objectives are achieved. The Council has therefore approved a Risk Management Strategy, which is included in the policy framework. This provides a comprehensive risk management process that is embedded across the organisation and includes a strategic risk register (which is the responsibility of the senior management team), operational risk registers which are produced by each service, project risk monitoring and specific risk mitigation initiatives.
- 1.3 The Risk Management strategy and processes are reviewed annually to ensure that they are still appropriate to the Council's needs and continue to be effective in identifying and mitigating risks to its aims and objectives.
- 1.4 Key Messages:
  - The highest level risk on the strategic risk register is the potential impact of the United Kingdom leaving the European Union. This is followed by the difficulty to compete with the private sector in the recruitment (and retention) of staff with key marketable skills.
  - The potential impact of future government decisions to reduce public funding, failure or inappropriate management of a strategic partner and the delivery of the Garden Communities project, are still recognised as significant risks. These are outside of the direct control of the Council, however the impacts of these risks are mitigated as far as possible, and risks and controls identified in section 6 of the register – Assets and Resources – are a reflection of some of the work that is undertaken to ensure that the organisation can respond to these challenges.
  - Risk Management principles continue to be reinforced and embedded in the organisation. The 2017/18 Annual Audit letter, issued by the Council's external auditors, Ernst & Young, in August 2018, did not include any findings of anticipated risks occurring. This is further demonstrated by the repeated 'substantial' assurance rating from the Internal Audit review of the Risk Management function.

## **2. Recommended Decision**

- 2.1 Note the Council's progress and performance in managing risk during the period April 2018 to March 2019.
- 2.2 Consider and comment on the current strategic risk register.
- 2.3 Approve the proposed risk management strategy for 2019/20 and recommend to Full Council that it be included in the Council's Policy Framework.

## **3. Reason for Recommended Decision**

- 3.1 Cabinet has overall ownership of the risk management process and is responsible for endorsing its strategic direction. Therefore, the risk management strategy states that Cabinet should receive an annual report on progress and should formally agree any amendments to the strategy itself.
- 3.2 During the year progress reports are presented to the Governance & Audit Committee, detailing work undertaken and current issues. This report was presented to the Governance & Audit Committee on 30 July 2019, where they approved its referral to this meeting.
- 3.3 The Risk Management Strategy is one of the key corporate governance documents that supports the Constitution of the Council, and forms part of the Policy Framework. Accordingly, any amendments have to be approved by Full Council.

## **4. Alternative Options**

- 4.1 There are no alternative options to consider

## **5. Background Information**

- 5.1 The aim of the Council is to adopt best practice in the identification, evaluation, cost-effective control and monitoring of risks across all processes, to ensure that risks are properly considered and reduced as far as practicable.
- 5.2 In broad terms risks are split into three categories:
  - Strategic – those risks relating to the long term goals of the Council
  - Operational – risks related to the day-to-day operation of each individual service
  - Project – the delivery risks of specific initiatives.
- 5.3 Identified risks, in all three categories, are judged against levels of probability and impact to give them an overall score. This allows the risks to be shown as 'high, medium or low' which enables a prioritised action plan to be set for managing risks. A high score does not mean that a risk has, or will definitely, occur.
- 5.4 In many cases the causes of risks are outside of the Council's control, such as general economic issues. The Council cannot stop these risks from occurring (the probability score) but can put plans in place to mitigate against their effect if they occur (the impact score). Likewise, there are occasions that risks can be reduced with preventative actions but there is not much that can be done to mitigate their effect if they do occur, such as a failure to protect public resources. Therefore, some risks will tend to maintain the same score, regardless of the controls that the Council puts in place.

## **6 Work undertaken during the period**

- 6.1 There were no fundamental changes to the risk management function, or the processes used to identify and control risk, during 2018/19.
- 6.2 An audit of the risk management function was carried out in February 2019. This produced four priority 2 recommendations and two priority 3 recommendations. These related to standardising the operational risk registers, updating training and development of the risk processes within Colchester Commercial Holdings Limited.
- 6.3 A significant proportion of the work undertaken during the year related to the preparations for the United Kingdom's exit from the European Union, especially around the possibility of there being no deal agreed for the exit. This included working with partners across Essex to mitigate the impacts.
- 6.4 Work has continued to develop the insurance and risk programmes for Colchester Commercial (Holdings) Limited, to ensure that emerging commercial risks are appropriately managed.
- 6.5 Support continues to be provided, reviewing the risk elements of event plans, to both the Colchester, and the Community Stadium, Safety Advisory Groups.
- 6.6 The risk registers for the Joint Museum Service and the North Essex Parking Partnership both continue to be produced and reported to the joint committees.

## **7 Strategic Risk Register**

- 7.1 During 2018/19 the strategic risk register was reviewed by the senior management team every quarter and reported to the Governance & Audit Committee every six months. The current register is shown at appendix 1. These risks have been mapped onto a risk chart as shown at appendix 2.
- 7.2 The Corporate Governance Manager reviewed the strategic risks with each member of the Senior Management Team in March 2019, and in June 2019 the Performance Management Board (PMB) comprehensively, and robustly, reviewed the register to ensure that the identified risks were still appropriate, and that individual risk tolerances do not unduly influence the scores.
- 7.3 Several of the risks on the register are scored at the higher end of the scale. This is not an indication that they will definitely occur, rather that the council is cautious about its ability to influence the likelihood or the potential impact. A further review of these risks will be undertaken later in the current year.

## **8. Risk Management Strategy for 2019/20**

- 8.1 The Council's current approach to managing risk was introduced in 2006/07. A requirement within the strategy, and also of the annual audit assessment, is to review the approach each year to ensure that it is still appropriate to the Council's needs.
- 8.2 Therefore a review has been undertaken and the strategy has been updated for 2019/20. The revised strategy is attached at appendix 3. There are no fundamental changes proposed to the risk process, with amendments only to external review comments and the updating of external guidance references.

## **9. Equality, Diversity and Human Rights implications**

- 9.1 There are no equality, diversity or Human Rights implications as a result of this report.

## **10. Strategic Plan References**

- 10.1 The strategic risk register reflects the objectives of the strategic plan and the actions have been set with due regard to the identified key strategic risks. Therefore, the risk process supports the achievement of the strategic objectives.

## **11. Risk Management Implications**

- 11.1 The failure to adequately identify and manage risks may have an effect on the ability of the Council to achieve its objectives and operate effectively.

## **12. Other Standard References**

- 12.1 There are no particular references to consultation or publicity considerations or financial; community safety or health and safety implications.

## **Appendices**

Appendix 1 – The strategic risk register

Appendix 2 – Strategic risk register score matrix

Appendix 3 – Risk Management Strategy for 2019/20