



Cabinet

Item
8(i)

06 September 2023

Report of	Corporate Governance Manager Corporate Services	Author	Hayley McGrath ☎ 508902
Title	2022/23 Year End Review of Risk Management		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report provides an overview of the Council's risk management activity undertaken during the financial year from 1 April 2022 to 31 March 2023.
- 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 Council's 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 Leadership Board), 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 The key strategic risks are:
 - Organisational Resilience
 - Budget Strategy
 - Economic Climate
 - Cyber & Data Security
 - Workforce wellbeing
 - Financial Inequality

2. Recommended Decisions

- 2.1 Consider and comment on the Council's progress and performance in managing risk during the period from April 2022 to March 2023.
- 2.2 Approve the current strategic risk register.
- 2.3 Approve the proposed Risk Management Strategy for 2023/24 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 and Audit Committee, detailing work undertaken and current issues. This report was presented to the Governance and Audit Committee on 1 August 2023, where they approved its referral to this meeting.
- 3.3 As part of the Policy Framework, any changes and reviews of the strategy need to be approved by Cabinet and ratified 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 2022/23

- 6.1 There were no fundamental changes to the risk management function, or the processes used to identify and control risk, during 2022/23.
- 6.2 In response to the recommendations of the Local Government Association Peer Challenge and the independent reviews of the Council's subsidiary companies, support has been provided to the Council's interim shareholder team, and Colchester Commercial (Holdings) Limited, to develop risk and governance processes between the organisations and within the company.

- 6.3 During the year a comprehensive management system was developed, encompassing all aspects of Health and Safety, including reporting dashboards and indicators. This is currently being rolled out across the organisation and will be reported in further detail as part of the annual Health and Safety update to Governance and Audit Committee later in the year.
- 6.4 Work has continued to develop the insurance programmes for Colchester Borough Homes Limited and Colchester Commercial (Holdings) Limited, to ensure that emerging risks are appropriately managed.
- 6.5 Support continues to be provided, reviewing the risk elements of event plans to the Colchester Safety Advisory Group.
- 6.6 The risk registers, and strategies, for the Colchester and Ipswich 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 2022/23 the strategic risk register was reviewed by the senior management team every quarter and reported to the Governance and Audit Committee every six months.
- 7.2 For the majority of 2022/23 the Council's strategic risks were consistent and were mainly around the impacts of the economic climate, data security and recovery from the pandemic.
- 7.3 A fundamental review of the strategic risk register was undertaken with the Senior Leadership Board in July 2023, to ensure that the captured risks were still appropriate.
- 7.4 As a result of the review the risks have been amended to reflect the significant challenges the Council faces, and are concentrated on the key concerns, to ensure that mitigating actions are focused on delivering the changes required.
- 7.5 It is recognised that several of the risks are impacted by rapidly changing wider socio-economic factors, therefore the strategic risks and mitigating actions, will be considered monthly as part of the Senior Leadership Board meetings, to ensure that the Council is agile in responding to the changing environment.
- 7.6 The current register is shown at Appendix 1. These risks have been mapped onto a risk matrix, shown at Appendix 2, that shows the risk profile before, and after, mitigating actions.

8. Risk Management Strategy for 2023/24

- 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 2023/24. The revised strategy is attached at Appendix 3. There are no changes proposed to the risk process, with amendments only to external review comments and the updating of responsibilities, to reflect the revised management structure.

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. Environmental and Sustainability Implications

12.1 There are no environmental or sustainability implications as a result of this report.

13. Other Standard References

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

Appendices

Appendix 1 – Strategic Risk Register

Appendix 2 – Risk Matrix

Appendix 3 – Risk Management Strategy for 2023/24

Appendix 4 – Minutes from the Governance and Audit Committee meeting of 1 August 2023

Colchester City Council Strategic Risk Register

Reviewed by Senior Leadership Board 13 July 2023

- Strategic Plan 2023-26 Outcomes**
1. Respond to the climate emergency
 2. Develop modern services for a modern city
 3. Improve health, well-being, and happiness
 4. Deliver homes for those most in need
 5. Grow our economy so everyone benefits
 6. Celebrate our city and our heritage and culture

Ref	Risk Title	Strategic Plan link	Description	Potential Consequences	Initial Score			RATING	Lead	Mitigation	Residual Score			RATING
					P	I	O				P	I	O	
A	Organisational Resilience	1 - 6	Following the prolonged period of austerity, coupled with the Covid -19 pandemic, the Council, and its companies, are already in a position where the workforce is weakened, finances are reduced and organisational resilience is low	The Council does not have the resources, or resilience, to be able to make the changes required to deliver the strategic plan outcomes.	5	4	20	Very High	Chief Executive	<ul style="list-style-type: none"> Continue to develop the health and wellbeing programme, including regular monitoring and reporting. Promote personal development and resilience options. The creation of a flatter, more transparent management culture. Clear strategic plan delivery plan linked to available resources Ensure the transformation programme maintains momentum and delivers it's objectives. Use of the Medium Term Financial Forecasting to plan for future challenges.	4	3	12	High
B	Budget Strategy	1 - 6	The budget strategy does not accurately reflect the unprecedented level of savings required. The new S151 officer is also reviewing all elements and assumptions underpinning the budget which creates an additional element of risk.	<ul style="list-style-type: none"> Inability to deliver the budget strategy as planned. Requirement for in-year budget and service adjustments. Unplanned additional use of balances / reserves Potential S114 notice 	4	5	20	Very High	Chief Operating Officer	<ul style="list-style-type: none"> Ensure effective use of the controls built into the annual budget strategy, to enable the Council to respond quickly to changes. Regular monitoring of actual spend/income and sensitivity analysis to consider the impact on income streams and the capacity of the Council to deliver services. Regular and open reporting and updating of the budget position through Cabinet, Prudent use of reserves where necessary to mitigate in-year losses. Monitor and refine the Transformation agenda to ensure it contributes savings to balance future budgets. 	3	4	12	High

Ref	Risk Title	Strategic Plan link	Description	Potential Consequences	Initial Score			RATING	Lead	Mitigation	Residual Score			RATING
					P	I	O				P	I	O	
C	Economic Climate	1 - 6	The national economic climate continues to be challenging resulting in increases in demand on Council services exceeding capacity, unavoidable operating costs exceeding budgets and income expectations not being met.	<ul style="list-style-type: none"> The Council is unable to deliver the outcomes and priorities of the Strategic Plan. Reduction in levels of service provision and potential cessation of services. Inability to create opportunities to develop and boost the local economy. Depletion of Council's reserves, potential S114 notice 	4	4	16	Very High	Chief Operating Officer	<ul style="list-style-type: none"> Maintain a constant review of the Council's budget situation, including the impact of decisions from central government. Identify additional actions and areas for increasing income and reducing costs as necessary, including through the Council's Transformation Programme. Reduce reliance on New Homes Bonus to support the base budget. Lobby Government for a fair, multi-year funding settlement. 	4	3	12	High
D	Cyber & Data Security	2 & 5	Sensitive data, in any format, is not correctly managed, processed or protected from loss or theft (including as a result of a cyber attack) in line with GDPR and Data Protection Act requirements, including council data managed and handled by third parties. The ever increasing sophistication of phishing attacks increases the likelihood of officers and members inadvertently opening malware emails.	<ul style="list-style-type: none"> Severe disruption to core services Financial, legal and reputational impacts for the Council, including ICO fines. Significant harm caused to residents with release of their personal details. 	4	4	16	Very High	Service Director (shared) ICT & Transformation	<ul style="list-style-type: none"> Ongoing review of IT policies and protocols to ensure that they are fit for purpose. Implement a training program for all staff and members. Implement defined action plans to rapidly respond to any attacks on systems to help minimise any potential damage. Ongoing review of data security policies and protocols to ensure that they are fit for purpose and implement a training program for all staff and members as required. Provision of secure Council devices to staff and Members. 	4	3	12	High
E	Workforce Wellbeing	1 - 6	Workforce wellbeing is affected by the increase in demand for services and requirement to achieve savings, coupled with difficulty in recruiting into specialist roles.	<ul style="list-style-type: none"> An unwarranted sense of 'personal failure' for some staff who put pressure on themselves to perform at a certain level, that is not sustainable. Decline in service performance. Reduction in efficiency and productivity. Inability to meet changing requirements and needs. Insufficient capacity to deliver the Transformation agenda. Customer perceptions decline as less is delivered. Loss of key staff. Staff who would be considered as some of the Council's vulnerable residents (in terms of financial resilience), thereby increasing the pressure on them from both work and personal perspectives. 	4	4	16	Very High	Head of People	<ul style="list-style-type: none"> Monitor staff morale and trends using staff surveys and by monitoring the People Dashboard. Ensure good communications with staff, exploiting new technologies such as Yammer. Shared Services programme to recruit and retain staff and share skills in hard to recruit roles Implement the action plan for the People Strategy; ensuring that performance is regularly monitored. Regularly report the progress of the learning and development strategy, including financial considerations and business behaviours, and exploring training alternatives. Use it as an opportunity to review individuals in the community who could be retrained and reskilled, using processes such as supported internships. Ensure that all staff are reminded of the Employee Assistance Programme on a regular basis and are enabled to have 'safe conversations' with managers or other 	4	3	12	High

Ref	Risk Title	Strategic Plan link	Description	Potential Consequences	Initial Score			RATING	Lead	Mitigation	Residual Score			RATING
					P	I	O				P	I	O	
F	Financial Inequality	3 & 4	The current, and future, impacts of the costs of living and housing crisis are likely to increase the number of vulnerable residents, leading to greater financial inequality and increasing the number of residents seeking support from the Council, especially for housing and temporary accommodation.	<ul style="list-style-type: none"> The support available for the most vulnerable residents is not sufficient, leading to an increase in crisis intervention. Housing supply is depleted leading to increased demand for temporary accommodation and rising costs. 	4	4	16	Very High	Deputy Chief Executive	<ul style="list-style-type: none"> Regularly monitor the impact of the resources allocated to supporting customers to ensure that they are signposted to appropriate providers/partners. Ensure welfare support service are targeting customers who may not be aware of the service, working with other council services to identify residents who may benefit from the support. 	4	3	12	High
G	Service Innovation	1 - 6	The Transformation agenda and budget savings programme, including the review of the council's companies, does not deliver the changes required to meet the council's budgetary pressures and Strategic Plan priorities.	<ul style="list-style-type: none"> Loss of opportunity to innovate. Adverse impact on local residents / resources. Missed opportunities to boost local economy. Conflict between Council / Government agendas. Reduction in levels of service provision and potential cessation of services. 	4	3	12	High	Deputy Chief Executive	<ul style="list-style-type: none"> Have a clear approach and 'roadmap' for transforming the Council and delivering budget savings monitored by the Senior Leadership Board and reported to Cabinet as part of the budget process. 	3	3	9	Medium
H	Corporate Assets	2 & 6	Failure to develop a comprehensive management plan for the Council's corporate assets, encompassing compliance, utilisation and future development.	<ul style="list-style-type: none"> Assets are not maximised to their full potential statutory building procedures are breached resulting in fines and liability claims The repairs and maintenance programme for the assets is insufficient to respond to issues, especially in connection with heritage sites. 	4	3	12	High	Chief Operating Officer	<ul style="list-style-type: none"> Develop a comprehensive asset management plan. Ensure that a suitable repairs and maintenance programme is developed with fully costed budget allocations. Establish clear facilities management processes with named responsibilities, reporting lines and escalation procedures. 	3	3	9	Medium
I	ICT	2	The increasing reliance on IT to continue normal business leaves the Council potentially vulnerable to any major system failure, across all service areas.	<ul style="list-style-type: none"> Severe disruption to core services Financial, legal and reputational impacts for the Council, including fines and lost income. Inability to respond to customer requirements including benefit processing and housing repairs. 	2	5	10	High	Service Director (shared) ICT & Transformation	<ul style="list-style-type: none"> Continue to shift any remaining legacy systems into more resilient, cloud-based solutions in line with ICT strategy. Ensure that the IT Disaster Recovery plan, and service plans, adequately reflect the organisation's requirements and provide an effective framework for maintaining service provision. Regularly review the IT development strategy to ensure it continues to support the organisations ambitions and provides appropriate safeguards for IT service delivery. 	2	4	8	Medium

Ref	Risk Title	Strategic Plan link	Description	Potential Consequences	Initial Score			RATING	Lead	Mitigation	Residual Score			RATING
					P	I	O				P	I	O	
J	Capacity	2,4 & 5	The continuing high level of inflation, coupled with the reduced availability of specialist staff, impacts on the ability to deliver the planned Capital programme.	<ul style="list-style-type: none"> •Key projects are delayed or withdrawn •Increase in expenditure •Inability to attract future investment •Failure to deliver benefits to residents 	3	3	9	Medium	Chief Operating Officer	<ul style="list-style-type: none"> • Manage the recruitment and development processes to ensure that the organisation has the appropriate skills and expertise. • Frequently review the Capital Programme to ensure that programmes are realistic and deliverable with available resources and / or identify any additional resources required to deliver key projects. • Agile methodology enables project scopes to be adjusted through effective governance processes. • Establishment of the Capital Programme Steering Group (informal Cabinet) to oversee the entire capital programme and address any capacity and other risks before they become issues. 	3	2	6	Medium

SCORE DEFINITIONS	1	2	3	4	5
Probability	10% May happen – unlikely	10 -25% Possible	26 – 50% Could easily happen	51 – 75% Very likely to happen	Over 75% Consider as certain
Impact	Very Low Insignificant effect on delivery of services or achievement of Strategic Vision & Corporate Objectives.	Low Minor interruption to service delivery or minimal effect on Corporate Objectives.	Medium Moderate interruption to overall service delivery/effect on Corporate Objectives or failure of an individual service.	High Major interruption to overall service delivery or severe effect on Corporate Objectives.	Very High Inability to provide services or failure to meet Corporate Objectives

RISK MATRIX
G&A July 2023

Low Risks	Medium Risks	High Risks
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Initial Score Matrix

Scoring 1-5

Risk Tolerance Line

Probability of Occurrence	5 Very High			A		
	4 High			G H	C D E F B	
	3 Medium			J		
	2 Low				I	
	1 Very Low					
		1 Very Low	2 Low	3 Medium	4 High	5 Very high
Severity of Impact						

Residual Score Matrix

Scoring 1-5

Risk Tolerance Line

Probability of Occurrence	5 Very High					
	4 High			A C D E F		
	3 Medium		J	G H	B	
	2 Low				I	
	1 Very Low					
		1 Very Low	2 Low	3 Medium	4 High	5 Very high
Severity of Impact						



Colchester City Council
Governance Services

Risk Management Strategy 2023/24

RISK MANAGEMENT STRATEGY

This document outlines the Council's commitment to managing risk in an effective and appropriate manner. It is intended to be used as the framework for delivery of the Risk Management function and provides guidance to ensure management of risk is a routine process for all services.

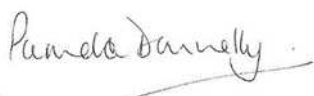
INTRODUCTION

This strategy will ensure that:

1. The management of risk contributes towards ensuring effective service delivery and the achievement of the Council's strategic objectives.
2. Members and the Senior Leadership Board own, lead and support on risk management.
3. Ownership and accountability are clearly assigned for the management of risks throughout the Council.
4. There is a commitment to embedding risk management into the Council's culture and organisational processes, at all levels, including strategic, programme, project and operational.
5. All members and officers acknowledge and understand the importance of risk management as a good governance process, by which key risks and opportunities are identified, evaluated and managed.
6. Effective monitoring and reporting mechanisms are in place to continuously review the Council's exposure to, and management of, risks and opportunities.
7. Best practice systems for managing risk are used throughout the Council, including mechanisms for monitoring and reviewing effectiveness against agreed standards and targets.
8. Accountability to stakeholders is demonstrated through periodic progress reports and an annual statement on the effectiveness of and the added value (benefits) from the Council's risk management strategy, framework and processes.
9. Where possible the Council's approach is regularly assessed by an external, independent body against other public sector organisations, national standards and Best Practice.
10. The Risk Management Strategy is reviewed and updated annually in line with the Council's developing needs and requirements.

Endorsement by Pamela Donnelly, Chief Executive

“Colchester City Council is committed to ensuring that risks to the effective delivery of its services, and achievement of its overall objectives, are properly and adequately controlled. It is recognised that effective management of risk will enable the Council to maximise its opportunities and enhance the value of services it provides to the community. Colchester City Council expects all officers and members to have due regard for risk when carrying out their duties.”



WHAT IS RISK MANAGEMENT

Risk Management is the control of business risks in a manner consistent with the principles of economy, efficiency and effectiveness. It is an essential performance management process to ensure that both the long- and short-term objectives of the Council are achieved and that opportunities are fully maximised.

Risk Management is not about eliminating risk, as this would limit the ability of the organisation to develop and deliver its ambitions. Its purpose is to recognise the issues that could affect the achievement of objectives and develop actions to control, or reduce, those risks. Acknowledgement of potential problems and preparing for them is an essential element to successfully delivering any service or project. Good management of risk will enable the Council to rapidly respond to change and develop innovative responses to challenges and opportunities.

The ‘Delivering Good Governance in Local Government’ 2016 framework, jointly issued by The Chartered Institute of Public Finance & Accountancy and the Society of Local Authority Chief Executives states that there are seven core principles of good governance including ‘Managing risks and performance through robust internal control and strong public financial management’. The document goes on to state ‘Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.’

A process for managing risks was first adopted by the Council in 2003 and since then has been developed to ensure that it continues to be an effective management system. This strategy defines Colchester City Council's definition of risk and the processes to be followed.

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 – consideration of the risks occurring as a result of the Council's involvement in specific initiatives.

The following are some of the practical ways that risks are managed and how effectiveness is measured:

- Provision of a comprehensive strategic register, that is regularly reviewed.
- Provision of operational risk registers for all service areas.
- Consideration of risk in Committee reports.
- Development of a comprehensive risk register for the project management programme and consideration of risk as a project management tool.
- Successful internal and external assessment.
- Provision of advice to other authorities regarding our management of risk.

This has led to a practical and workable approach to managing risk, which has resulted in the Council becoming more risk aware and taking more risks, as demonstrated by the comprehensive project risk register. Colchester is also highly regarded for managing risk by both our insurers and other authorities.

The 2022/23 Internal Audit of risk management gave a reasonable assurance opinion. Four recommendations were raised during the audit relating to Producing the Operational risk registers, the project risk management process and dates of review on registers.

OWNERSHIP

The responsibility to manage risk rests with every member and officer of the Council however it is essential that there is a clearly defined structure for the co-ordination and review of risk information and ownership of the process.

Appendix 3 is from the CIPFA/SOLACE risk management guide, Chance or Choice. It is a generic map of responsibility for each part of the risk management process.

The following defines the responsibility for the risk management process at Colchester:

Cabinet – Overall ownership of the risk management process and endorsement of the strategic direction of risk management.

Portfolio Holder for Economy, Transformation & Performance – Lead Member for the risk management process

Governance and Audit Committee – Responsible for reviewing the effectiveness of the risk management process and reporting critical items to Cabinet as necessary.

Senior Leadership Board (SLB) – Ownership of the strategic risks and overview of the operational risks. Actively support the Risk Management Strategy and framework.

Head of Governance – Lead officer for the risk management process, demonstrating commitment to manage risk.

Corporate Governance Manager – Responsible for co-ordination of the risk management process, co-ordinating and preparing reports and providing advice and support.

All Heads of Service – Ownership, control and reporting of their service's operational risks. Contribute to the development of a risk management culture in their teams.

All Employees – To understand and to take ownership of the need to identify, assess, and help manage risk in their individual areas of responsibility. Bringing to the management's attention at the earliest opportunity details of any emerging risks that may adversely impact on service delivery.

Internal Audit, External Audit and other Review Bodies – Annual review and report on the Council's arrangements for managing risk throughout the Council, having regard to statutory requirements and best practice. Assurance on the effectiveness of risk management and the control environment.

AIMS & OBJECTIVES

The aim of the Council is to adopt best practices 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.

The risk management objectives of Colchester City Council are to:

- Integrate risk management into the culture of the Council.
- Ensure that there are strong and identifiable links between managing risk and all other management and performance processes.
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management by all those connected with the Council's delivery of services.
- Ensure that opportunities are properly maximised through the control of risk.
- Reduce duplication between services in managing overlapping risks and promote 'best practise'.

STRATEGIC RISK MANAGEMENT

Strategic risks are essentially those that threaten the long-term goals of the Council and therefore are mainly based around meeting the objectives of the Strategic Plan. They may also represent developing issues that have the potential to fundamentally effect service provision, such as proposals to dramatically change the corporate assessment process.

Strategic risks will be controlled using a register that will detail the risks and associated controls. The register will be owned by the Senior Leadership Board, with ownership for risks being assigned to individual officers, and will be reviewed every quarter. The strategic risks will be reported to the Governance & Audit Committee at least twice a year.

OPERATIONAL RISK MANAGEMENT

Operational risks are those that threaten the routine service delivery of the Council. Each service area will have their own operational risk register that details the risks associated with providing the service. These registers will be reported, in summary format, to the Senior Leadership Board and committee on an annual basis. High risks and the success in controlling them will be reported to Senior Leadership Board on a quarterly basis, as these will help in the formulation of the strategic risk register.

LINKS

It is essential that risk management does not operate in isolation to other management processes. To fully embed a risk management culture, it has to be demonstrated that risk is considered and influences all decisions that the Council makes. It is essential that there is a defined link between the results of managing risk and the following:

- The Strategic Plan
- Service Plans
- Revenue and Capital Budgets
- Annual Internal Audit Plan

ACTION REQUIRED

The following actions will be implemented to achieve the objectives set out above:

- Considering risk management as part of the Council's strategic planning and corporate governance arrangements.
- Ensuring that the responsibility for risk management is clearly and appropriately allocated.
- Maintaining documented procedures for managing risk
- Maintaining a corporate approach to identify and prioritise key services and key risks across the Council and assess risks on key projects.
- Maintain a corporate mechanism to evaluate these key risks and determine if they are being adequately managed and financed.
- Establish a procedure for ensuring that there is a cohesive approach to linking the risks to other management processes.
- Including risk management considerations in all committee reports
- Providing risk management awareness training to both Members and officers.
- Developing risk management performance indicators.
- Establishing a reporting system which will provide assurance on how well the Council is managing its key risks and ensures that the appropriate Members and officers are fully briefed on risk issues.
- Preparing contingency plans in areas where there is a potential for an occurrence to have a significant effect on the Council and its business capability.
- Regularly reviewing the risk process to ensure that it complies with current national Governance Standards and Best Practice.
- Developing risk management links with key partners and contractors, to ensure that principles are adopted in all areas of service delivery.

REVIEW

To ensure that the risk management process is effective it will need to be measured and reported to Senior Leadership Board, Governance & Audit Committee and Cabinet. As well as a structured reporting process of risks and controls during the year there will need to be an annual review demonstrating the success of the following:

- The inclusion of risk management principles within Service Plans and budgets.
- The development of the Internal Audit plan based on the risk issues.
- Achievement against identified performance indicators.
- Members consistently ensuring managing risk is considered as part of the decision-making processes within the Council.
- Heads of Service making recommendations that regard risk as an opportunity as well as a threat.
- Risk management principles being considered in service reviews, for example in areas such as options for change and service improvements.
- Changes in risk being independently identified and assessed by Heads of Service
- Compliance with any self-assessment requirements.

Suitable opportunities to benchmark the risk management service against other organisations should also be explored, to ensure that it is effective, and the work carried out by the Council conforms to best practice.

The three appendices attached give greater details of key areas:

Appendix 1 – Outline of the risk management process.

Appendix 2 – Details of how Risk Management will be reported.

Appendix 3 – CIPFA guidance on Risk Management Responsibilities

APPENDIX 1

The Risk Management Process

Risk Management is a continual process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and / or responding to them. The risks faced by the Council are constantly changing and the continual process of monitoring risks should ensure that we can respond to the new challenges. This process is referred to as the risk management cycle.

Stage 1 – Risk Identification

Identifying and understanding the hazards and risks facing the council is crucial if informed decisions are to be made about policies or service delivery methods. There is detailed guidance available on how to identify risks which includes team sessions and individual knowledge. Once identified a risk should be reported to the relevant Head of Service who will consider its inclusion on the relevant risk register. If the risk is identified in between register reviews, then it is reported to the Corporate Governance Manager for information and the Head of Service is responsible for managing the risk.

Stage 2 – Risk Analysis

Once risks have been identified they need to be systematically and accurately assessed. If a risk is seen to be unacceptable, then steps need to be taken to control or respond to it.

Stage 3 – Risk Control

Risk control is the process of taking action to minimise the likelihood of the risk event occurring and / or reducing the severity of the consequences should it occur.

Stage 4 – Risk Monitoring

The risk management process does not finish with the risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of the risk has changed over time.

APPENDIX 2

Reporting

No matter how good the process to identify and control risks is, it will not be effective unless the information gained from it is reported and used to influence other management issues / processes. Therefore, it is essential that there is a defined process and timetable for reporting the results of the risk management process to both members and officers.

Types of Report

- The strategic risk register is reviewed a minimum of twice yearly by Senior Leadership Board, with interim reports quarterly as required.
- Six monthly review of the operational risk registers and a summary report of these reviews to Senior Leadership Board
- Project risks are reported through the project management process and reported to the project management board. Significant issues will also be included in the reporting process to Senior Leadership Board
- A six-monthly report is provided to Committee (Governance and Audit) detailing the current strategic and high-level operational risks and the progress made in controlling them.
- An annual report reviewing Risk Management activity and an action plan for the coming year – taking into account changes in methodology and results of internal and external reviews. Going to Senior Leadership Board, Governance & Audit and Cabinet.
- Ad-hoc reports need to be provided to Senior Leadership Board when new, significant risk issues arise.

The reports can be summarised as follows:

	Services	Senior Leadership Board	Governance & Audit Committee	Cabinet
Quarterly		Review of strategic risk register		

6 Monthly	Review of operational risk register	Summary of operational review from services	Progress report of strategic & high-level operational risks	
Yearly		Scrutiny of annual progress report to committee on risk management	Endorsement of annual progress report on risk management.	Summary of past years work on risk management.

APPENDIX 3

Risk Management Responsibilities – CIPFA / SOLACE Guidance

	Framework, Strategy and Process	Identifying risk	Analysing Risk	Profiling risk	Prioritising action based on risk appetite	Determining action on risk	Controlling risk	Monitoring & Reporting	Reporting to external stakeholders.
Members	Agreeing the Framework, Strategy and Process determined by Officers	Identifying risk	Analysing Risk	Profiling Risk	Determining the risk appetite and prioritising risk. Agreeing the priorities determined by officers			Reviewing the effectiveness of the risk management process.	Reporting to external stakeholders on the framework, strategy, process and effectiveness.
Corporate Governance Team	Providing advice And support to the Leadership Board Members	Providing advice and support.	Providing Advice and support	Providing advice and support	Providing advice and support			Co-ordinating the results for reporting to the corporate management team and members	
Senior Leadership Board	Determining the framework, Strategy and Process	Identifying strategic and cross-cutting issues	Analysing Strategic and cross-cutting issues.	Profiling strategic and cross-cutting issues.	Determining the risk appetite and prioritising strategic and cross-cutting issues	Determining action on strategic and cross-cutting issues. Delegating responsibility for control.		Monitoring progress on managing strategic and cross-cutting risks and reviewing the implementation of the risk management framework, strategy and process. Reporting to members.	Reporting to external stakeholders on the framework, strategy, process and effectiveness.
Head of Governance .	Providing Advice and Support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Co-ordinating the results for reporting to the Senior Leadership Team and Members	Preparing draft reports for the corporate management team and members to issue.
Heads of Service		Identifying service Risks	Analysing Service risks.	Profiling service risks.	Prioritising action on service risks.	Determining action on service risks. Delegating responsibility for control.		Monitoring progress on managing service risks. Reporting to the group management team	
Employees, contractors And partners		Maintaining awareness of risks and feeding these into the formal process.	Maintaining awareness impact of risks and feeding information into the processes				Controlling risk in their jobs.	Monitoring progress on Managing job related risks Reporting to the Head of Service	

376. 2022/2023 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 01 April 2022 to 31 March 2023.

Hayley McGrath, Corporate Governance Manager, attended the meeting to introduce the report and assist the Committee with its enquiries. During the course of the municipal year, the Committee received 2 reports relating to risk management, a mid-year report and an end of year report. The report which was before it was the end of year report, which focussed on 3 key areas:

1. The Council's Risk Management Strategy
2. Work which had been undertaken during the financial year 2022/2023
3. The Council's current Strategic Risk Register

The Committee heard that it was good practice that it was presented with the Council's Risk Management Strategy once a year, to ensure that the Strategy provided the assurance that the Council's risks were managed appropriately. No significant changes had been made to the Strategy for 2023/2024, save for minor changes to update job titles of staff. The Strategy was approved by the Council's internal auditors each year and had received a 'reasonable' assurance level.

There had been a couple of significant areas of work in the preceding financial year, due to the results of the Council's Peer Review Challenge, and the subsequent review of the Council's wholly owned companies. Work had been undertaken to examine the governance arrangements and risk processes of the Council's companies, Colchester Borough Homes (CBH) and Colchester Commercial (Holdings) Ltd (CCHL).

The presence of an interim Health and Safety Manager during the year had afforded the opportunity to implement a system of managing health and safety risks to provide assurance to managers across the organisation. The programme was comprehensive and was being implemented across all the Council's services. The Committee would receive a more detailed report on this work later on in the municipal year.

Additionally, the Corporate Governance Manager had been working with the Council's joint committees, the North Essex Parking Partnership (NEPP) and the Colchester and Ipswich Museum Service (CIMS), to provide their Committees and Boards support with managing their own internal risk management processes and governance arrangements.

The Strategic Risk Register which was presented to the Committee had a revised format, and a lot of work had taken place with the Council's Senior Leadership Board (SLB) to carry out a detailed, honest and robust review of the risks which the organisation faced. As a result of this review, the contents of the Register had been

amended, and the risks related to the 6 outcomes of the Council's Strategic Plan to provide assurance from a corporate governance point of view across the organisation that the Council's objectives would continue to be met. Fewer risks were contained in the Register than before, as the decision had been taken to focus on the risks which it was considered would present the greatest challenge to the authority. SLB had been very honest about the risks that the Council faced, and a key risk had been identified as organisational resilience.

The Committee was asked to agree the proposed Risk Management Strategy in order that it could be presented to Cabinet for approval before being presented to Full Council for inclusion in the Council's Policy Framework.

The Committee noted the number of high priority risks which had been identified, and considered that this demonstrated a high level of transparency, and was to be applauded.

The Committee discussed the critical importance of the Council's staff, and wondered how best to ensure that staff were able to provide honest feedback about the stresses that they faced. It was noted that surveys and morale monitoring had taken place, and particular praise was reserved for the Council's Employment and Financial Inclusion team who were carrying out excellent work in difficult circumstances. Pam Donnelly, Chief Executive of the Council, addressed the Committee and confirmed that in her opinion the levels of honesty which staff felt empowered to express had risen. There had recently been a significant level of staff engagement from the whole SLB, including webinars and regular monthly sessions with the Chief Executive based on the principles of 'listen, learn, lead'. Any member of staff was afforded the opportunity to raise any concerns with the Chief Executive in a totally confidential environment, and these sessions had been very well attended. The wellbeing and resilience of Council staff was of key importance at all levels of the Council.

It was noted by a member of the Committee that the Budget Strategy Risk contained a referenced to a S.114 notice, and considered that this could cause concern among the public that the Council may be in danger of having to serve this Notice, when in reality there was no danger of this at the present time. It was suggested that as soon as the revenue outturn reports for quarter 1 were available, then these should be shared with the Committee, which had a duty of oversight to ensure that the Council was delivering on its ambitious savings plans. Chris Hartgrove, Deputy S151 Officer, confirmed to the Committee that the quarter 1 figures would be presented to it at its' meeting in September. It was noted that Risk 'J' in the Register related to delays in the Council's Capital Programme, which was listed as a medium risk. Given that delays had already occurred, should this risk not be at a more elevated level? The Corporate Governance Manager was happy to discuss the points which had been raised with the Council's SLB, HM to take this back to SLB, and explained that the Risk Register was currently being reviewed on a monthly basis to allow the very fluid economic situation to be kept under constant review. It was the purpose of the Register to list the worst possible outcomes from a given risk, and this was the only reason that a S114 Notice had been included in it.

In response to a comment from a Committee member who noted that the Strategy made reference to the Council taking more risks, the Corporate Governance Manager said that an example of this was the current Turnstone Development, and the fact that the Council was an innovative authority which gave rise to potentially greater risk exposure. Although there was no mention of the Council's risk appetite in the Strategy, this appetite had been assessed and could be added to the Strategy in the future if this was appropriate.

In discussion, it was noted that the Committee had considered the Council's financial statements, together with their production and the potential for qualified statements, and these issues were not mentioned in the Risk Register. Had they been considered and had their omission been a conscious decision? The Council's S151 Officer considered that the risk around the Council's financial statements was adequately covered within the Council's Risk Register under the Budget Strategy in section B of the Register.

A Committee member wondered what the large, unforeseen, catastrophic events were which could have a significant impact on the Council? The Corporate Governance Manager confirmed that such events would be considered by Cabinet, SLB and the Leader to consider, and there were a range of issues which could cause unexpected problems for the Council. Consideration would be given to mentioning such events in the Register in the future. Big issues which could disrupt the council's services were considered and included in the Council's Business Continuity Plans which were approved by this Committee annually.

The Chief Executive considered that in general terms the Council was facing more risks at the current time than it had in the past. These risks included the level of savings which the Council was required to make, the new approach which was being taken to the leadership of Council staff, and the resizing of the workforce which was taking place. A Committee member pointed out that staffing levels were currently at their highest number over the last 5 years, however, noted that the full time equivalent (FTE) in staffing was considerably lower, which was a deliberate choice of the organisation. It was suggested that the Council should take note of this when thinking about or discussing recruitment. The Chief Executive confirmed that the organisation had made a choice to offer more flexible working for staff, and it was considered that there were three key benefits to this choice:

1. Allowing groups into the workforce who may previously have been excluded such as working parents.
2. If the Council were to adopt a more fixed employment model this would not recognise the significant improvements which had been made in retention and productivity.
3. The Council's approach encouraged a wider recruitment market, both geographically and in terms of the skillsets which the Council was able to attract.

Ultimately, the outcome of the Council's policy was a richer, more diverse workforce which better mirrored the community that the Council served.

Councillor King, The Leader of the Council and Portfolio Holder for Strategy, attended the meeting and offered the Committee his assurance that the approach being taken by the Council with regard to risk management was one which was balanced and given weight which was appropriate to the fluctuating circumstances the Council found itself in. He considered that it was important to understand the FTE number of staffing, and suggested that the flexibility which the Council was able to offer to its employees was part of a desirable employment package which supported recruiting and retaining the staff who could best deliver the Council's aims and objectives, while continuing to support the savings which had to be made.

In discussion, the Committee noted the high levels of interrelationship between elements of the Risk Register, considering that the impact of continued economic hardship could have a knock-on effect on the provision of social housing, for example. Could this be reflected in the Register in some way? It was considered that when setting the budget in the future years, it was essential that the Council didn't try to deliver the same level of service with fewer staff, as this would not lead to a healthy organisation. A Committee member praised the layout and content of the Register, but wondered whether the Council's Project Risk Register should also be considered by the Committee, as some of the Council's projects were large in scope and had the potential seriously impact the Register. The Corporate Governance Manager would discuss this suggestion with the Council's SLB to determine how best to reflect the project risks within the Strategic Risk Register.

The Committee considered whether or not it was appropriate for the risks which were posed to the Council by its wholly owned companies CBC and CCHL to be included on the Strategic Risk Register. The Corporate Governance Manager explained that each of the companies would bring their own Risk Registers to the Committee for scrutiny at the appropriate time. Although the failure of the companies did pose a risk to the Council, in strategic terms, such a failure would potentially have broader consequences on the Council's service delivery. The Chief Executive did consider that when considering risks which were contingent risks, there was now a strong case that these be included in the Council's Strategic Risk Register as the interdependence of the Council and its' companies was highlighted more strongly than ever before.

RESOLVED that: The submission of the Corporate Governance Manager's report to Cabinet to approve the Risk Management Strategy for 2023/2024 be endorsed.