

Report to: **Audit Committee**

Date: **20 September 2018**

By: **Chief Operating Officer**

Title of report: **Strategic Risk Monitoring**

Purpose of report: **To update the Committee on current strategic risks faced by the Council, their status and risk controls / responses and to describe the current Risk Management process.**

RECOMMENDATION: The Committee is recommended to note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers and to note the Risk Management process described at point 3.

1. Background

1.1 Sound risk management policy and practice should be firmly embedded within the culture of the council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. This is especially important in the current climate where there remains considerable uncertainty about the future.

1.2 Robust risk management helps to improve internal control and support better decision-making, through a good understanding of individual risks and an overall risk profile that exists at a particular time. To be truly effective, risk management arrangements should be simple and should complement, rather than duplicate, other management activities.

2. Supporting Information

2.1 The Council's Strategic Risk Register, which is attached as Appendix 1, is formally reviewed by Departmental Management Teams (DMT's) and the Corporate Management Team (CMT) on a quarterly basis. Members should note that this version of the Strategic Risk Register, which relates to Quarter 1 of 2018 / 2019, was reviewed by CMT on 29th August 2018 and presented to Cabinet on 18th September 2018.

2.2 The following paragraphs summarise the changes made since the risk register was last presented to the Audit Committee on 13th July 2018;

2.3 **Risk 8 (Capital Programme)** and **Risk 12 (Cyber attack)** have been updated and also have updated risk control responses. **Risk 1 (Roads), Risk 4 (Health), Risk 6 (Local Economic Growth), Risk 7 (Schools), Risk 9 (Workforce), and Risk 10 (Recruitment)** all have updated risk control responses.

2.4 **Risk 6 (Local Economic Growth)** now has a post control Red, Amber Green (RAG) rating of 'Green' having reduced from 'Amber' at the previous review. CMT are satisfied that the risk control responses in place are sufficient to justify this reduction in rating. All other risk ratings (Red, amber, green) remain unaltered. No new risks have been added and no existing risks removed since the last review.

2.5 We will continue to explore opportunities to further strengthen the Council's risk management arrangements and for mitigating our key strategic risks. It is however, important to recognise that in some cases there is an inherent risk exposure over which the Council has only limited opportunity to mitigate or control.

3. The Risk Management Process

3.1 The Strategic Risk Register details risks with the potential to adversely impact the delivery of the Council's objectives. While individual risks are allocated to named officers, the Strategic Risk Register is collectively owned and reviewed by CMT, and any potential additions or deletions are collectively agreed.

3.2 All risks are assessed in accordance to their potential to effect service delivery in terms of 'likelihood', i.e. the chance of the risk event occurring, and their 'impact' i.e. to what degree they will affect the council or relevant service, once the risk event has occurred. These measures create a risk score, which is shown in terms of RAG rating for each risk. These ratings enable management teams to rank their risks in terms of potential threat to services and this will inform the risk conversations and ultimately decision making.

3.3 Below the Strategic Risk Register, each Department has its own Departmental risk register detailing risks which impact specifically on the Department. These risk registers are also regularly reviewed by the relevant risk owning officers and Departmental Management teams. There is also a network of Departmental risk co-ordinators who, in conjunction with the Corporate Risk Manager, facilitate reviews and appropriate risk updates, offering advice, guidance and challenge to risk owners.

3.4 The level at which an identified risk is recorded on a risk register is dependent on a combination of two considerations. The first is the level at which the identified risk has the potential to impact (i.e. Corporately or Departmentally) and therefore where the mitigations, or risk control actions, can most appropriately be taken. The second consideration is where an awareness of the risk at a strategic level is appropriate, and this is particularly relevant to risks which have a potential 'reputational' dimension. Therefore, risks recorded on the Strategic Risk Register can either be truly corporate in nature or can be risks which are 'Departmental' in nature, where mitigation actions are undertaken at Departmental level, but have been escalated up to a Strategic level to acknowledge that their impact has the potential to effect the Council as a whole.

3.5 Risk escalation from Departmental risk level to the Strategic Risk Register (or de-escalation from the Strategic Risk Register to Departmental level) should only occur following a discussion around the appropriate level of that risk. Risks are regularly proposed as additions to the Strategic Risk Register, but are only adopted if CMT are in full agreement.

3.6 The Council's risk profile is dynamic and consequently both the Strategic Risk Register and Departmental risks registers are reviewed on a quarterly basis. However Strategic level risks tend to be broader in scope and therefore there is not as much risk movement to and from the Strategic Risk Register as there may be at Departmental risk level.

3.7 Strategic risks can relate to any aspect of the council's operation. Comparative analysis with similar Authorities in the South East region shows that risk themes shown in the Strategic Risk Register are broadly shared by other councils. These include such risk themes as financial pressures, impact on workforce and recruitment, cyber threats, new ways of working and local economic development. However, all councils are unique with different social, economic and geographical profiles, all of which will impact on their risk profile and be reflected in their risk registers. Also different council's will express their risks in terms of their own objectives and priorities.

3.8 Following the Orbis Centres of Expertise reorganisation, with effect from 1st September 2018, the risk management function across both East Sussex County Council and Surrey County Council will be delivered by the Service Improvement and Risk Manager. Risk management at Brighton & Hove City Council (B&HCC) is outside the scope of Orbis and therefore will continue to be delivered by the B&HCC Risk Manager.

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Background documents :
None