TITLE	**Corporate Risk Register Review**
FOR CONSIDERATION BY	Audit Committee on 30 November
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

Enterprise Risk Management (ERM) provides for robust and transparent decision-making. Effective ERM is therefore an integral part of the Council's governance arrangements and helps demonstrate the effective use of resources and sound internal controls. The Council's Risk Management Policy and Guidance sets out the policy framework and formally guidance for officers to enable them to pro-actively identify and manage its risks.

RECOMMENDATION

The Audit Committee is asked to review the Corporate Risk Register (at Appendix A) to determine that strategic risks are being actively managed.

To review the Risk Management Group effectiveness review (at Appendix B).

SUMMARY OF REPORT

The Corporate Risk Register has been revised by the officer Risk Management Group and Corporate Leadership Team and is shown at Appendix A. This review was conducted prior to the Autumn Statement so the risk scoring does not reflect the announcements made there.

The Council's top corporate risks are:
- Budget and financial resilience
- Health & Social Care Reform

These are followed by
- Adult Social Care supplier sustainability and sufficiency
- Education for Children with SEND
- High Needs Block
- Climate Emergency
- Uncontrolled Development

The Director of Place and Growth will present the report to the Committee noting that there has been an overall increase in risk faced by the Council since the last review of the risk register due to:-
- Increased national political and financial instability.
- Significant challenges on the budget position
- Uncertainty on the timing of the Health and Social Care reforms

Since the register was last reported to Audit Committee on 28th September 2022, no new risks have been identified although following a review we have decided to split the Cyber

and Information Governance risk into two separate risks to enable more appropriate focus on the different elements.

The following risks have seen an increase
- Risk 1 Financial Sustainability
- Risk 4 Uncontrolled Development
- Risk 8 Climate Change

The report describes these risks and includes commentary on changes to existing risks.

The Risk Management Group plays a key role in managing risk and has undertaken a self-assessment of its effectiveness. This has identified that it is effective but that there are areas where it can strengthen it role. The RMG has developed an action plan.

The RMG has considered risk management reports issued by industry experts and benchmarked the Council's risk register against other local authorities. The RMG has also reviewed the CRR link to the Council's priorities to identify any gaps. This has concluded that the CRR gives good coverage across the Council priorities.

Background

The Council's Constitution sets out the remit of the Audit Committee as follows with regard to Risk Management.

> *Extract from Constitution (paragraph 4.4.3.2 (d))*
> *To provide an independent assurance of the adequacy of the*
> *Risk Management Strategy and the associated control environment. In*
> *particular:-*
>
> *i) To receive the annual review of internal controls and be satisfied that the*
> *Annual Governance Statement properly reflects the risk environment and*
> *any actions required to improve it;*
>
> *ii) To receive quarterly reports reviewing implementation of the Council's*
> *Risk Management Policy and Strategy to determine whether strategic risks*
> *are being actively managed;*
>
> *iii) To review, revise as necessary and recommend adoption of the Risk*
> *Management Policy and Strategy to Executive when changes occur;*
>
> *iv) To have the knowledge and skills requisite to their role with regard to risk*
> *management and to undertake awareness training in respect of Enterprise*
> *Risk Management (ERM) as and when specific training needs are identified.*

Analysis of Issues

The following changes have been made to the Corporate Risk Register since the register was last presented to the Committee on 27th June 2022

2.1   Increased risk - Risk 1 Financial Sustainability

Inflation continues to impact the Council directly and is placing significant budgetary pressures on the Council. Increases in demand for a range of Council services is continuing. The Council's analysis would suggest that this increase in risk is likely to be of at least a medium term.

2.2   No Change - Risk 2 Governance

Further assurance on this risk is be provided by the LGA peer challenge follow up visit that took place in October 2022. The initial feedback from the follow up visit has been positive and further details will be shared with Executive (?) in January.

2.3   Increased Risk 4 Uncontrolled Development

This risk has increased. The Council is currently seeing applications coming through for new housing developments which are in locations contrary to current local plan policy and not preferred in the Local Plan Update. These sites are relatively modest in number and scale but impactful nonetheless. The submission of a larger strategic planning application contrary to the strategy set

out in the emerging Local Plan Update would constitute a further move towards a red rated risk. The evidence base necessary to support discussion on the strategic direction of the LPU is being progressed as soon as possible. Development management policies are updated in parallel.

2.4 Risk 8 Cyber and 19 Information Governance

Following a meeting with the Senior Information Risk Owner (SIRO) (Andrew Moulton) and the Head of IT to review Risk 8 it was decided to split the risk into two separate risks. Risk 8 is focused on the risk of a successful cyber-attack against the Council and Risk 19 is focused on the risk of disclosure of confidential information. Clearly there is a strong interdependency between the risks as recent successful cyber-attacks at Hackney and Gloucestershire have lead to the disclosure of personal information. The SIRO felt that splitting the risks would provide greater oversight of both risks and enable more transparency on the assessment of each risk and the actions to required to mitigate them. As part of this detailed review the SIRO concluded that the assurance to CLT and Audit Committee could be strengthened and working with colleagues on the Council's Data and Information Governance Board is creating a detailed report that will come to the Audit Committee in February with regular updates for the Committee. The cyber risk is an arms race with attackers and the Council needs to "run to standstill" and this risk is likely to persist into the long term.

2.5 Combined Risk 5 Outcomes and Costs for Children with Send and Risk 11 High Needs Block

The Director of Children's Services has decided to combine Risk 5 and Risk 11. The Council is working with the Department of Education on the Safety Value Programme. As part of this work it has become apparent that the long term challenge is greater than previously understood. Financial modelling of recent increases in demand has seen the challenge to meet a deficit position within five years significantly increase. The DfE has indicated that failure to deliver the Safety Value changes would led to the Council needing to meet the deficit from the General Fund Reserves. The current level of reserves are insufficient to cover the forecast cumulative deficit at the end of 2022/23 of £16m. The Council is actively engaging with the DfE and has a programme of activity to mitigate this risk which is reporting to the CE/DCE. This risk is likely to remain high in the medium term until the DfE are satisfied that the Council is heading towards a position where High Needs Block funding matches expenditure.

2.6 Increased Risk 8 Climate Emergency

The financial pressures on the Council and the increase in demand has resulted in an increase in the risk of delivering the Climate Emergency Action Plan. The increased cost of borrowing and additional cost pressures on competing priorities has reduced the confidence of the Council in delivering the action plan. In light of this the mitigating actions are being reviewed and updated. The change in risk is likely to be of a medium/long term nature given the financial pressure on the Council.

2.7 No Change Risk 12 Health & Social Care Reform

Further consideration is needed to understand the impact of the Autumn Statement. However, People at the Heart of Care will proceed, which will place additional pressure on the service including assurance and inspection readiness. The risk level will be regularly reviewed as more official and confirmed information is released.

2.8 <u>Risk Management Group Effectiveness</u>

As part of the Commitment to continuous improvement the Risk Management Group has reviewed its effectiveness against its roles and responsibilities contained within the Council's Risk Management Policy. The review is attached at Appendix A. The review concludes that the Risk Management Group is largely effective in meeting its roles and responsibilities but has a number of actions to enhance the functioning of the group. One area that the group identified for improvement was Directorate Risk Registers and we provide an update to the Committee in February on this.

2.9 <u>Horizon Scanning and Benchmarking</u>

As part of the Council's commitment to learn from others the Risk Management Group has undertaken a risk horizon scanning exercise against various risk management reports on global and European risks. See list of Background Papers for Details of the reports. These identified that cyber risk was considered as a significant area of risk and that we needed to increase our focus on that risk. See discussion at 2.3.

In addition to our global review of risk we also conducted a benchmarking exercise against nine other local authorities (including our Berkshire Neighbours. The top risk appearing in all the registers we reviewed was finance, followed by cyber and supplier failure. Risks that we identified in comparator registers were risks that were either captured in Directorate registers or were not relevant to Wokingham.

We also used the RBWM Internal Audit of Risk Management to benchmark our own risk management practices. In the high priority findings, we were able to identify that we had effective controls in place. We have used the findings of this report to shape our improvement actions for risk management.

2.10 <u>Link to Council Priorities</u>

The Risk Management Group and CLT have reviewed how the corporate risks map to the Council priorities contained within the Corporate Delivery Plan. This has shown that the significant strategic risk are focused on Safe, Strong Communities and Enriching Lives. Although it is important to recognise that although there is a single risk aligned to Right Homes, Right Places this risk is significant, and its successful mitigation is key to delivering this priority. This review provides assurance that the significant strategic risks to the Council's Priorities have been identified.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION
The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£0	Yes	Revenue
Next Financial Year (Year 2)	£0	Yes	Revenue
Following Financial Year (Year 3)	£0	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
Effective risk management mitigates financial risks associated with the Council achieving its objectives.

Cross-Council Implications
Risk management influences all areas of the Council – effective risk management is one of the ways assurances is provided that the Council's key priorities and objectives will be achieved.

Public Sector Equality Duty
An Equality Impact Assessment is not required on the Corporate Risk Register. The impact on Equality is assessed in the impact of each risk.

Climate Emergency – *This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030*
The effective management of risk supports the achievement of this important priority

Reasons for considering the report in Part 2
Not applicable.

List of Background Papers
Corporate Risk Register – September 2022
Allianz Risk Barometer 2022
World Economic Forum: Global Risks Report 2022
Chartered Institute Of Internal Audit: Risk in Focus 2023

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