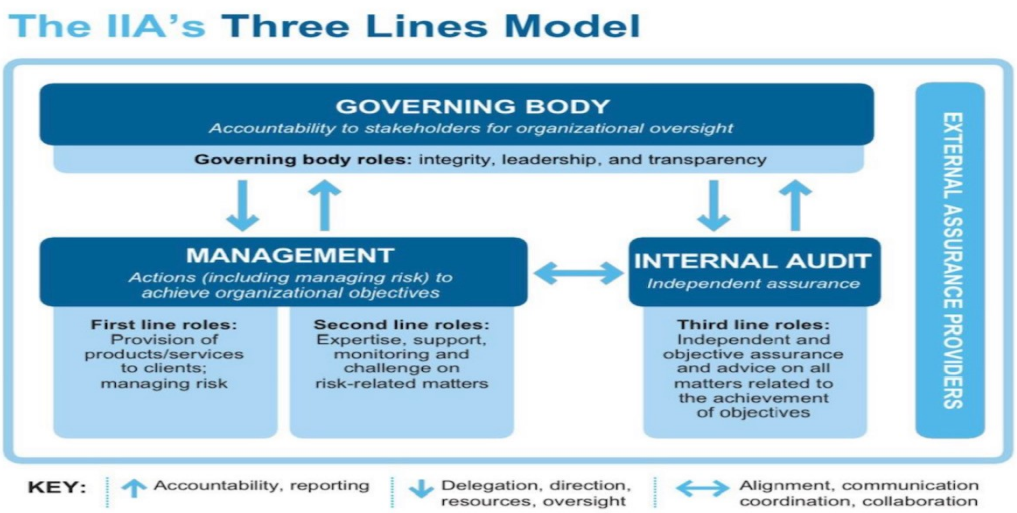
Report to:	**AUDIT PANEL**
Date:	1 August 2023
Reporting Officer:	Rebecca Neill – Interim Head of Assurance Martin Nixon – Risk, Insurance and Information Governance Manager
Subject:	**STRATEGIC RISK REFRESH**
Report Summary:	To present the refreshed approach to the Council's risk management arrangements for comment and approval.
Recommendations:	That the report is approved.
Corporate Plan:	The strategic risk register sets out the risks of not achieving the corporate plan by directly linking the corporate plan to strategic risks; together with the mitigations in place to manage those risks.
Policy Implications:	The Council's systems for managing risk are set out in the Risk Policy. This will be updated in light of the changes proposed, subject to their approval.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	The Local Government (Accounts and Audit) Regulations require local authorities to have arrangements in place for the management of risk. Receiving regular updates on the Council's risk management enables the Council to effectively fulfil this remit.
Legal Implications: (Authorised by the Borough Solicitor)	Good governance requires independent, effective assurance, and this is best delivered by a dedicated audit committee independent of the executive committee and scrutiny function. The audit committee must also have the capacity and capability to carry out its functions, and each committee should be clear about its role and responsibility. The Local Government (Accounts and Audit) Regulations requires local authorities to have arrangements in place for the management of risk. The purpose of risk management is to effectively manage potential opportunities and threats to the Council achieving its objectives. Part of the remit of the Audit Panel is to 'monitor the effective development and operation of risk management'.
Risk Management:	Failure to effectively manage risk comprises the Council's ability to meet its corporate objectives.
Access to Information:	For background, contact Martin Nixon, Risk, Insurance and Information Governance Manager. Telephone: 0161 342 3883 E-mail: martin.nixon@tameside.gov.uk

1. INTRODUCTION

1.1 The Local Government (Accounts and Audit) Regulations requires local authorities to have arrangements in place for the management of risk. The purpose of risk management is to effectively manage potential opportunities and threats to the Council achieving its objectives. Part of the remit of the Audit Panel is to 'monitor the effective development and operation of risk management'.

1.2 Current best practice integrates the disciplines of risk management and internal audit into a model of assurance. This model is intended to give assurance to those 'charged with governance' that the Council's major / significant risks are being effectively managed as well as providing early 'red flags' where attention is needed. The Institute of Internal Audit's '3 lines' model best demonstrates this below:



1.3 To support this change, the Internal Audit, Risk Management, Insurance & Information Governance Service have been rebranded as 'Assurance'. A permanent Head of Assurance and Audit Manager are in the process of being appointed.

1.4 In terms of risk management, it is proposed that the '3 lines model' is introduced to the strategic and directorate risk management templates, as well as other suggested enhancements, to enable the assurance model to become fully embedded. These are set out below.

2. EMBEDDING ASSURANCE

2.1 The strategic risk register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its strategic plan. This assessment ensures that there is the right balance of measures in place to control the potential risk to the Council's objectives. Risks are assessed based on their likelihood of occurrence and potential impact. By multiplying these scores together, each risk receives a score.

2.2 The strategic risk register (**Appendix 1**), formerly known as the corporate risk register, has been updated to include the '3 lines of assurance'. The 3 lines of assurance against each risk are then considered as follows:

- 1st line – the day to day operations of the internal control systems to mitigate the risk
- 2nd line – management oversight and monitoring of controls in place to mitigate the risk

- 3rd line – independent assurance from internal / external audit and other assurance sources (e.g. OFSTED, CQC) on the internal controls in place to manage the risk. This source of assurance is often seen as the most valuable due to its independence.

2.3 Other enhancements to the register have been made as follows:

- Target score – this is where Risk Owners would like the current score to be within the constraints of the prevailing environment. Where a residual score is not at target, the risk should be actively managed to bring it within target.
- An action, responsibility and timescale column has been added to the register to provide assurance on actions being taken, as above.
- While the previous risk register format included an update column, the register was specifically silent on mitigating controls. Adding the 3 lines of assurance, now provides the detail on those mitigations and assurances in place.
- A column on the assurance RAG rating (Red, Amber, Green) is now given. This is a dashboard measure of the current status of assurance on the mitigations against each risk. For example, if a negative OFSTED or low assurance internal audit report is the outcome against a particular risk; monitoring controls are giving a negative result or the first line is failing, the RAG rating would be red. This provides a visual flag to those charged with governance, where attention is required and a potential 'deep dive' from the Risk Owner is required.
- A box at the end of the register has been added for emerging risks. These are for risks that are not yet a significant / material strategic risk, but are potentially on the horizon for which a watching brief is in place.
- Finally, all risks have been sorted to place them in rank order of importance based on their current score. This again assists the reader of the register where focus needs to be made.
- The commentary box in the former risk register format has been removed as the detail is now included within the '3 lines'.

2.4 In addition to the format enhancements as above, a refresh of risks has been undertaken via Assistant Directors Delivery Group and a risk 'workshop' held at Single Leadership Team. The 24 'corporate risks' have now been rationalised down to 12, to focus on the most material / significant risks which affect the Council's ability to achieve its corporate plan to be included.

2.5 Other process improvements to enable a sound system of risk management to be embedded are planned for Quarters 2 and 3 as follows:

Improvement Required	Action	Responsibility / Timescale
Directorate risk registers are not routinely in place.	Quarterly directorate risk registers (including escalating and de-escalating) risks from the strategic risk register will be put in place.	Risk, Insurance and Information Governance Manager / Directors September 2023
There is no strategic risk management group or risk champions to promote and embed risk management across the organisation.	Each director will be asked to propose a champion from their directorate and a risk management group will be convened to meet quarterly.	Risk, Insurance and Information Governance Manager / Directors September 2023
Risk management arrangements for project and programmes require review.	Usually Prince2 principles include a sound basis for risk management at this level. It is proposed that those responsible for major programmes / projects are	Risk, Insurance and Information Governance Manager September 2023

Improvement Required	Action	Responsibility / Timescale
	included within the risk management group above.	
The risk policy / procedure needs to be updated to reflect changes and a programme of training is required.	The risk policy / procedure will be reviewed to accommodate the proposed changes and an appropriate programme of training put in place. The approach to risk appetite is to be developed.	Risk, Insurance and Information Governance Manager December 2023

2.6 These actions will be tracked and progress reported in the next risk update.

3. STRATEGIC RISK REGISTER – JUNE 2023

3.1 As detailed above the strategic risk register at **Appendix 1** has been updated.

3.2 The strategic risk scores are summarised in the risk heat map below:-

		Impact level				
Likelihood		**Insignificant** (1)	**Minor** (2)	**Medium** (3)	**Major** (4)	**Major Disaster** (5)
Almost Certain	(5)					**1**
Very likely	(4)			**8**	**2,3,4,5**	
Likely	(3)			**9**	**7**	**6**
Unlikely	(2)				**10,11,12**	
Very Low	(1)					

1. Financial Resilience
2. Capacity
3. Safeguarding
4. Adverse Inspection Results
5. Cyber Security
6. Wider Socio Economic
7. Health & Social Care Reform
8. Inability to Drive Growth
9. Key Supplier / Partner Failure
10. Housing Supply
11. Resilience
12. Climate Change

4. RECOMMENDATIONS

4.1 As set out at the front of the report.