

Report to the Audit & Governance Committee



**Epping Forest
District Council**

Report Reference: AGC-022-2016/17

Date of meeting: 27 March 2017

Portfolio: Finance

Subject: Effectiveness of the Arrangements for Risk Management

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Recommendations/Decisions Required:

(1) That Members consider the effectiveness of the arrangements for Risk Management.

Executive Summary:

The terms of reference for this committee include “To consider the effectiveness of the Council’s Risk Management arrangements”. This contrasts with the role of the Finance and Performance Management Cabinet Committee, which is required “To advise and make recommendations to the Cabinet on Risk Management and Insurance issues”.

As reported to the June meeting of this Committee, the internal audit of Risk Management for 2015/16 contained a rating of substantial assurance. There was just one recommendation that was scored as a priority 2 and this has now been actioned.

Reason for Proposed Decision:

Members are requested to consider the effectiveness of the Council’s arrangements for Risk Management to provide assurance to the Council on the functioning and adequacy of this important internal control.

Other Options for Action:

Members could ask for additional information or make recommendations to improve processes where they feel existing arrangements are inadequate.

Report:

Previous Reviews

1. The review of the effectiveness of the Council’s arrangements for Risk Management is an established part of the work programme for this Committee. Last year the Committee resolved:

- (i) That the arrangements for Risk Management be considered effective; and*
- (ii) That future reports to the Committee provide reassurance on the actions taken to mitigate large risks to the Council.*

Risk Management in Directorates

2. The internal arrangements for Risk Management have not changed during the year. It is common practice within directorates for risk assessments to be conducted on new or changed activities and capital projects. Each directorate has a nominated champion for risk management, usually at Assistant Director level. This individual acts as the lead on Risk Management for the directorate and represents their directorate at the Risk Management Group (RMG).

3. All directorates are required to have a section on Risk Management in their business plans. This section will contain details on the directorate's key risks, a risk matrix and action plans for dealing with the risks that are above the risk tolerance line.

4. All directorates are required to have Risk Management as a standing item on management team meeting agendas. This is to ensure that directorate risk registers are kept up to date with any new items and that existing action plans, both for directorate and corporate risks, are monitored. The regular discussion of risks allows directorate champions to report back on discussions at the RMG and also to bring forward items from their directorates that they feel should now be included, or if already included updated, on the Corporate Risk Register.

Corporate Risk Management

5. The RMG meets quarterly to discuss Risk Management issues and recommend alterations to the Corporate Risk Register to Management Board. During 2016/17 meetings were held in May, August, December and March. The Director of Resources, or in his absence the Senior Finance Officer (Risk and Insurance) chairs the RMG. All of the group have received training in Risk Management.

6. The agenda for the RMG has a number of standard items including, updates on service risk registers, updates on corporate risks and any changes in insurance information. This allows each member of the group to obtain feedback on any new or changing issues within their own area and benefit from the wider perspective of the group as a whole. In this way any changes to service items can be evaluated and assessed to see if they justify inclusion in the corporate register. The discussion then moves on to consider any changes in the descriptions, triggers and vulnerabilities of existing corporate risks and the updating of the action plans.

7. The annual updating and approval of the terms of reference for the RMG is being considered by the Finance and Performance Management Cabinet Committee on 30 March 2017 and a report recommending their adoption will go to a subsequent meeting of Cabinet. The meeting on 30 March will also consider the Risk Management Strategy and the Risk Management Policy Statement.

Corporate Risk Register

8. As mentioned above, the RMG consider updates to the Corporate Risk Register and make recommendations to Management Board (which consists of the Chief Executive and the four Directors).

9. Management Board receive the minutes of the RMG and discuss in detail any proposed changes. A separate review of the Corporate Risk Register is then undertaken to ensure that all necessary changes have been captured by the RMG and that the Board is not aware of any other new risks for inclusion.

10. Finally, recommendations on updating the Corporate Risk Register are considered by the Finance and Performance Management Cabinet Committee.

Updates to the Risk Register

11. Key points from the reviews by the Finance and Performance Management Cabinet Committee are given in the table below.

<u>Date of Meeting</u>	<u>Updates Considered</u>
16 June 2016	<p>Risk 1 – Local Plan – risk updated for Cabinet report scheduled for July with latest timetable and budget.</p> <p>Risk 2 – Strategic Sites – updates for four of the sites.</p> <p>Risk 6 – Data/Information – effectiveness of control amended to reflect no data losses so far in 2016/17.</p>
15 September 2016	<p>Risks 1, 2 and 5 updates to action plans, effectiveness of controls and required further management actions.</p> <p>Risk 7 – Business Continuity – following update of Corporate Business Continuity Plan and re-evaluation of likelihood risk score reduced from C2 (medium likelihood/moderate impact) to D2 (low likelihood/moderate impact).</p> <p>Risk 10 – Housing Capital Finance – due to management actions such as the purchase of street properties now less likely to have to hand back one-for-one receipts so risk score reduced from B2 (high likelihood/moderate impact) to C2 (medium likelihood/moderate impact).</p>
19 January 2017	<p>Risks 1 and 2 – updates to action plans, effectiveness of controls and required further management actions.</p> <p>Risk 4 – Finance Income – key date added for budget setting.</p> <p>Risk 9 – Safeguarding – vulnerability updated to include reference to care Act 2014.</p>
30 March 2017	<p>Risk Management Group met on 9 March and their recommendations are being considered by Management Board on 15 March.</p>

12. For information, the current risk register is attached as Appendix 1.

Actions taken to Mitigate the Highest Scored Risks

13. Last year Members of this Committee asked for more information on the actions taken to mitigate risks and it seems sensible to start with risk 1 from the Corporate Risk Register, which relates to the Local Plan. One of the actions to check on the management of this risk was to get Internal Audit to do a review. The review was reported to the June 2016 meeting of this Committee and provided substantial assurance.

14. Progress on the Local Plan is reported to Management Board and the Neighbourhoods Select Committee, including the operational risk register for the Local Plan. The most significant issue has been the recruitment and retention of staff, as there is a national shortage of qualified planners. Where it has not been possible to recruit appropriate staff use has been made of external contractors and specific pieces of evidence work have been put out to competitive tender.

15. Another significant risk is around the failure to get agreement from other neighbouring authorities who are part of the strategic housing market area. A district local plan is not set in isolation and in order to gain approval at inspection it is necessary to demonstrate that the duty to co-operate with neighbouring authorities has been discharged. Actions taken to mitigate this risk have included the joint commissioning of key pieces of work for the evidence base and establishing both officer and member co-operative boards. As a direct result of this work it has been possible to construct Memorandums of Understanding that the authorities have signed up to covering air quality, transport and the distribution of housing growth.

16. The Local Development Scheme (LDS) is a high level project plan covering the stages in the delivery of the local plan. This was updated in a report to Cabinet in July 2016 and included a public consultation in autumn 2016 (an updated LDS was approved by Cabinet on 9 March). The consultation duly took place between 31 October and 12 December and the responses are now being evaluated. This is significant progress and the Council is now at far lower risk of intervention by the Department for Communities and Local Government than it was at this time last year.

17. Risk 2 covers the Council's strategic sites and the delivery of the various projects. These projects are managed through the Asset Management and Economic Development Cabinet Committee. The largest project is the Epping Forest Shopping Park and risk on the delivery of the project has been mitigated through the use of a specialist external contract manager. The commercial risk around attracting tenants at appropriate rents has been addressed through the use of two agents with expertise in retail parks (Harveyspackfield and Colliers). The main risk to the park opening on schedule has been problems created by the highways authority and these have been mitigated through frequent and robust negotiations which it has been necessary to escalate within the County Council.

18. The final risk in the A1 (very high likelihood/major impact) category is risk 4 which covers the Council's income and finances. There is little that can be done to influence the reductions to local authority funding that continue as part of the programme of austerity. However, what the Council has been able to do over a period of time is to make better use of its funds through investing in capital projects which have a significantly higher return than could be achieved through bank deposits. The Council has also been effective in managing and reducing costs through efficiency programmes and the competitive tendering of services such as leisure management. These actions have been effective overall as the Council has been able to freeze council tax for seven years and has not had to resort to the large scale service reductions or redundancy programmes seen at many authorities.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

No legal implications. Risk Management is an important part of the Council's overall governance arrangements and that is why this Committee considers the adequacy of the overall arrangements on an annual basis.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

No formal consultation has been undertaken.

Background Papers:

Reports to the Finance and Performance Management Cabinet Committee as set out above.

Risk Management:

If the adequacy of the arrangements for Risk Management were not considered a significant weakness in the overall governance arrangements could arise.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
15/03/17 Director of Resources	The report is about the effectiveness of the arrangements for risk management and relates to this process not the delivery of any particular service and so has no equality implications.