Strategic Risk Management Annual Report 2021/22

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Introduction

Risk management is needed to understand the threats and opportunities associated with delivering Nottingham City Council's services. It makes us think about the decisions we take and how we manage everyday service delivery, projects and our work with partners. Risk management is often concerned with the adverse potential of risk but not all risk is bad. Some opportunities can only be unlocked by taking risks. The key to success in these situations is to take risks knowingly by properly assessing them and managing them appropriately.

The following statement sums up the purpose of risk management:

Risk management is a process that allows individual risk events and overall risk to be understood and managed proactively, optimising success by minimising threats and maximising opportunities and outcomes

(Definition from APM Body of Knowledge 7th edition).

It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated within our plans and strategies, so as to encourage responsible, informed risk taking.

Strategic risk management will be embedded and developed across the Council through:

- Ensuring that Council approach and tools are in line with current risk management best practice;
- Ensuring corporate level risk management is in place including assessment and reporting of risks;
- Ensuring monitoring and reporting of risk at corporate, directorate, divisional and service level;
- Ensuring scrutiny and understanding of risk management by officers and members;
- Extensive interactive and online training and workshops.

Key Controls (1st line of defence and assurance)

Refreshed Risk Management Policy and Framework

The refreshed Risk Management Policy and Framework was approved by CLT in March 2022 and presented to Executive Board in April 2022. The Framework sets out the Council's approach to risk management and includes a policy, a strategy and a detailed risk management toolkit:

- The policy states that the Council is committed to the proactive management of risks, outlines the Council's active promotion of the principles of effective risk management and includes the risk appetite statements agreed by CLT;
- The strategy sets out the aims, principles and objectives for risk management, how the framework will be communicated, including training, delivery, monitoring and an action plan;
- The toolkit provides guidance to managers, to assist them in undertaking any risk management activities.

The previous version approved by CLT in November 2020 has been reviewed and updated to incorporate changes recommended following a self- assessment against best practice. Feedback on the Framework has also been incorporated from Executive members, Audit Committee members, CLT, PWC and Zurich. Extensive feedback has also been received from Improvement Assurance Board members in writing and through meetings with the overall opinion of the document being positive.

A risk management intranet site is available to colleagues and provides access to the Policy and Framework, supporting documents including risk templates and a quick reference toolkit for managers, online risk management training and contact details for the risk team.

Approved Risk Appetite

A risk appetite statement clarifies an organisation's approach to striking the balance between innovation, upside, and higher risk on the one hand and lower risk, stability, but lack of forward momentum on the other. CLT approved the Council's risk appetite in March 2022 as part of the Risk Management Policy and Framework refresh. The appetite is set against the backdrop of the current financial, governance and operational challenges faced as highlighted in the Public Interest Report published in August 2020, the findings of the subsequent Non-Statutory Review in November 2020 and the section 114 notice relating to the Housing Revenue Account in January 2022 and this is reflected in the current risk appetite levels. All risks should be considered in this context as the Council implements the Together for Nottingham Plan and works with the Department for Levelling Up, Housing and Communities (DLUHC) via the Improvement and Assurance Board to address the changes required to reach a sustainable position.

In the development of the risk appetite, input was sought from DLT and CLT members within the organisation. Senior officers were asked to give their view on what they felt the risk appetite should be for each risk category within the Risk Management Policy and Framework. The

gradings are on a five-point scale with corresponding risk scores included to aid comparison to the current risk matrix. With this information the responses were analysed and reviewed in each category and corresponding statements of appetite were agreed by CLT. The statements are intended to provide guidelines in dealing with uncertainty that follows new initiatives and signposts colleagues to the types of business-as-usual risks they should be considering. The scores included with each category's statements provide a threshold for risk owners to consider risk treatment and escalation.

The Council's risk appetite and individual statements for each risk category can be useful in two ways:

- When considering the best response to strategic risks to the Corporate Plan, as set out in the Corporate Risk and Assurance Register;
- When making specific key decisions and the risk implications of accepting or rejecting a course of action.

Compliance with the risk appetite statements, is required for all risk management practices and is to be regulated through existing risk reporting channels at DLTs, CLT and via the Risk Management Team. The risk appetite statements, and their application, are incorporated into risk and assurance register templates, the supporting guidance for the Council's risk matrix and training available to all staff.

The risk appetite of the organisation can be represented visually by the graph below which shows an overall cautious/open attitude towards risk.

Category	Averse (1-5)	Cautious (6-10)	Open (11-15)	Optimistic (16-20)	Hungry (21-25)
Financial	▓	▓			
Customer / Citizen		▓	▓	▓	
Health and Safety	▓				
Environmental	▓				
Legal / Legislation	▓				
Workforce		▓	▓		
Physical Assets		▓	▓	▓	
Partnership Engagement		▓			
Reputation	▓	▓			
Service / Project / Programme Delivery		▓	▓		
Opportunity		▓	▓	▓	

In the graph above, terms used can be defined as follow:

- Averse – The council's appetite towards risk is low and there is minimal desire to take risks to achieve objectives, risks need to be carefully managed within a tightly controlled process, consequences are considered to be intolerable.
- Cautious – The council is prepared to accept more risk assuming risk management processes remain in place and outcomes monitored, innovation is avoided.
- Open – Refers to the council being willing to take on more risk within areas where positive outcomes are considered to be more than likely, consequences are ones which can be absorbed and tolerated
- Optimistic – Recognises that consequences are likely in pursuit of changes and advances of the council. Some of these consequences may be above acceptable boundaries, but success of delivery remains broadly confident
- Hungry – this appetite refers to risks which we are actively embracing in pursuit of innovative changes whilst recognising that failure remains a possibility
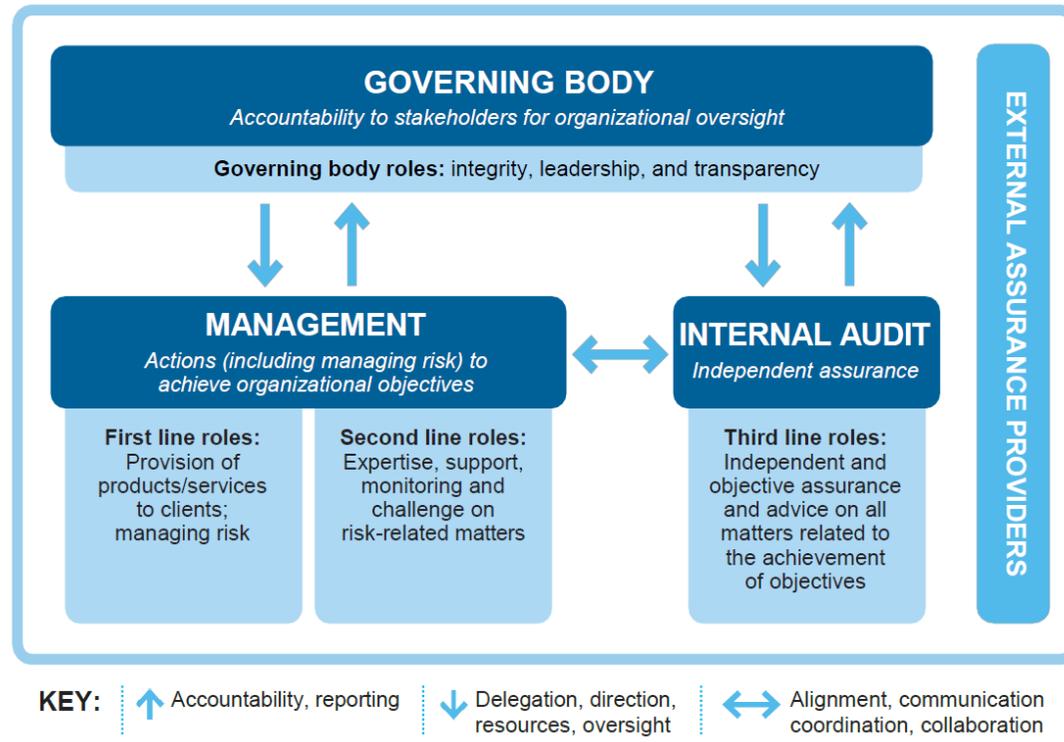
Appendix D of the Risk Management Policy and Framework provides a detailed risk appetite statement for each category, including context and guidance for application.

Implementing a new Corporate Risk and Assurance Register

A Risk and Assurance Register for corporate and directorate level risk management was developed and implemented in July 2021 to provide assurance to CLT and Members that all key strategic risk areas are being controlled effectively alongside the management of high level operational risks. The register has been populated with risks agreed at DLTs and includes risks that were previously reported via the full Corporate Risk Register and High Level Corporate Risk Register.

The aim of the Risk and Assurance Register is to demonstrate the state of effectiveness of the arrangements in place to deliver objectives and highlight issues that need attention. The Register follows the Three Lines of Defence Model (see image below) and provides a summary for each strategic and operational risk of all key controls, how they are managed and internal and external assurances available for these.

The IIA's Three Lines Model

GOVERNING BODY
Accountability to stakeholders for organizational oversight

Governing body roles: integrity, leadership, and transparency

MANAGEMENT
Actions (including managing risk) to achieve organizational objectives

INTERNAL AUDIT
Independent assurance

EXTERNAL ASSURANCE PROVIDERS

First line roles:
Provision of products/services to clients; managing risk

Second line roles:
Expertise, support, monitoring and challenge on risk-related matters

Third line roles:
Independent and objective assurance and advice on all matters related to the achievement of objectives

KEY: ↑ Accountability, reporting   ↓ Delegation, direction, resources, oversight   ↔ Alignment, communication coordination, collaboration
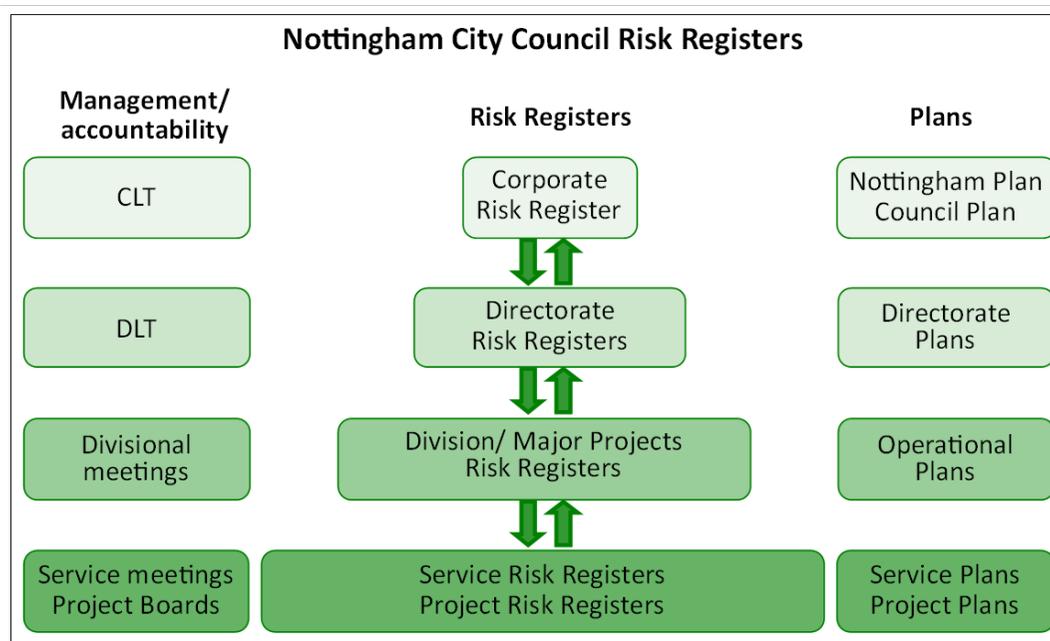
All risks within the registers are assessed in terms of likelihood (probability of the risk occurring) and impact (consequences if it did occur). The Council has a Risk Assessment Matrix which sets the values to be attributed to each risk for both of these elements. This is a '5x5' matrix and the assessed scores of impact and probability are multiplied together to determine the overall risk score, to a maximum of 25.

All risks are assessed against the Council's 11 risk categories to ensure the full impact of the risk is understood should the threat or opportunity materialise. All impact areas are scored using the Council's matrix guidance and where a risk applies to multiple categories, the risk owner will assess the impact levels across the areas and score the overall impact level based on the most significant area of risk. The Council's 11 risk categories are listed below.

Financial	• Change of external factors, budget, financial planning, control framework and/ or impact of Council group companies
Citizen/ communities	• Ability to effectively deliver services which meet the changing needs and expectations of customers and citizens
Legislative or Regulatory	• Meeting requirements and/or law changes
Environmental	• Physical environment, e.g. extreme weather events; climate change
Partnerships	• Delivering services in conjunction with potential partners e.g. disagreements; changed priorities; failure of supply chain
Reputational	• How the Council is viewed by both internal and external stakeholders, impact on delivery of Council priorities
Health and Safety	• Possibility of injury to citizen and/ or workforce
Workforce	• Staff engagement, retention, capacity and capability
Physical assets	• Physical condition of assets, e.g. buildings, vehicles, plant and equipment
Delivery	• Disruption and delays to project, programmes and/ or services
Opportunity	• Improvement to project, service or other risk area

Quarterly risk reviews

A risk reporting process is in place to support escalation of risk throughout the Council as required. Risks can move between registers based on seriousness and required oversight and support. The escalation process is shown diagrammatically as follows:

Nottingham City Council Risk Registers

Management/accountability	Risk Registers	Plans
CLT	Corporate Risk Register	Nottingham Plan Council Plan
DLT	Directorate Risk Registers	Directorate Plans
Divisional meetings	Division/ Major Projects Risk Registers	Operational Plans
Service meetings Project Boards	Service Risk Registers Project Risk Registers	Service Plans Project Plans

Risks are reviewed by Divisional leads, Directorate Leadership Teams, CLT and Leadership Group quarterly. The corporate register is also reviewed by Audit Committee, Executive Panel and Executive Board six monthly. Please see table below for collective risk review dates for 2021/22:

Group	Q1 2021/22	Q2 2021/22	Q3 2021/22	Q4 2021/22
Finance and Resources DLT	17 May 2021	6 October 2021	23 February 2022	27 April 2022
Growth and City Development DLT	26 May 2021	22 September 2021	26 January 2022	20 April 2022
People PLT	2 June 2021	6 October 2021	9 February 2022	20 April 2022
Resident Services DLT	2 June 2021	22 September 2021	9 February 2022	25 April 2022
CLT	6 July 2021	19 October 2021	8 March 2022	10 May 2022
Leadership Group	15 July 2021	4 November 2021	24 March 2022	30 May 2022
Executive Panel	29 July 2021		31 March 2022	
Executive Board	21 September 2021		28 April 2022	
Audit Committee		26 November 2021		24 June 2022

The Strategic Risk Team provides facilitation for the quarterly individual and collective reviews of risks at directorate and corporate level.

Risk improvements during 2021/22

As part of quarterly reporting, a summary of any change to risks is provided alongside the full Risk and Assurance Registers. The registers and reports include details of any actions required to reduce risk levels. During 2021/22, four corporate level risks were reduced in scoring following implementation of identified risk actions and demonstrating effective risk management.

Committee/ Board decision making

Risks are formally considered within the decision making process:
- All reports to committees include a section for risk management issues;
- All reports to informal meetings include a section for risk management considerations;
- Consideration of risk is required for all delegated decisions and is recorded within Delegated Decision Making (DDM) forms;
- Weekly agenda item at CLT for risk update;
- DLT consider risk regularly, for example weekly agenda item for Finance and Resources DLT.

Officer training

Alongside the online risk training available to all colleagues via the Learning Portal, dedicated virtual training has been delivered to members of the Council's Senior Leadership Management Group on the refreshed Risk Management Policy and Framework. The sessions have been led by the Council's insurer's Strategic Risk Consultant and local government specialist as part of the strategic risk management support from insurers.

Three sessions were delivered in February and March 2022 and two further sessions are scheduled in July. Further sessions are currently being considered, with the eventual aim being sessions planned twice a year on an ongoing basis.

Attendees at the training have provided very positive feedback and the next two scheduled sessions are fully booked.

Member training

Risk Management training was delivered to all Audit Committee members during 2020/21. The session was facilitated by the Council's insurer's Strategic Risk Consultant as part of the strategic risk management support from insurers. The training provided an overview of the importance and relevance of Risk Management in achieving the Council's goals, the risk management principles and processes at the Council and the role of the Audit Committee.

Risk Management training was also delivered to the previous Audit Committee Chair and Vice Chair during 2020/21. This session was also facilitated by the Council's insurer's Strategic Risk Consultant and the training provided an overview Risk Management principles.

Training	Date	Number attended/ number booked
For All Audit Committee	7 December 2020	9 members
For Chair and Vice Chair	21 January 2021	2 members

Further tailored training is planned for both executive and non executive members.

Management and Reporting (2nd line of defence and assurance)

Leadership

The Risk Management Policy and Framework and Corporate Risk and Assurance Register are owned and managed by the Corporate Leadership Team (CLT). CLT have the following responsibilities for risk management:

• Own and manage the principles of the Council's Risk Management Policy and Framework;

• Ensure consistent implementation of the Risk Management Policy and Framework across Council directorates, partnerships and projects;

• Assess that suitable actions are taken to mitigate different levels of risk;

• Ensure that controls are prioritised and that risk responses are proportionate;

• Incorporate risk management in all strategic business planning and decision making;

• Ensure risks within the Corporate Risk and Assurance Register are scored at a Council wide level;

• Accountable for Council wide risks and monitoring of controls and assurances.

Strategic Risk Management Team

The Strategic Risk Management Team is led by the Head of Audit and Risk with support from the Principal Risk Specialist who holds Management of Risk (MoR) Foundation and Practitioner accreditations.

Risk Management support from Insurers

The risk team work closely with the Council's insurers to review the approach and processes through the strategic risk consultant, who has reviewed and provided feedback to all the Council's risk management policies, frameworks and tools and has delivered all key training across officers and members.

Networks

The risk team are members of the Association of Local Authority Risk Managers (ALARM), having access to their resources, training and networking opportunities to support benchmarking.

The risk team are members of the East Midlands Risk Management Group who meet to share best practice around managing risk.

The risk team also liaise with core cities through various networking groups to share policies, templates and best practice in risk management.

Self assessment

In December 2021, the risk team completed a self-assessment of the strategic risk management processes and Risk Management Framework in place at the Council. The aim of the review was to assess the effectiveness and embeddedness of risk management at the Council. The self-assessment was completed in three parts:

- An evaluation of current practice and the Risk Management Framework against best practice, in particular the Association of Local Authority Risk Manager's (ALARM) Risk Management Toolkit 2021.

- An assessment of the current maturity of risk management at the Council using recognised risk maturity models to measure the effectiveness of risk management processes.

- A review of Risk Management Frameworks and corporate risk recording and reporting formats implemented in other local authorities, making comparisons and highlighting differences with Nottingham City's framework and reporting.

The self assessment informed the refreshed Risk Management Policy and Framework and all identified actions as part of the assessment were incorporated into the risk management strategy and improvement plan.

Audit Committee

The Audit Committee's risk management role is to provide assurance on the adequacy of the Council's Risk Management Policy and Framework and the associated control environment by reviewing the mechanisms for assessing and managing risk. This includes ensuring that relevant managers undertake active risk management.

A Corporate Risk and Assurance update is provided to Audit Committee on a six monthly basis. This includes an update on progress of embedding risk management across the Council and an opportunity to review the latest Corporate Risk and Assurance Register.

Internal Audit (3rd line of defence and assurance)

Internal Audit

The Risk Management Policy and Framework and approach has also been assessed through internal audit, a follow up audit being completed in 2019 showing an improvement from limited assurance to significant assurance and the most recent audit in 2021 recording significant assurance and showing a similar direction of travel.

External Assurance

Improvement and Assurance Board

The Head of Audit and Risk meets monthly with the Chair of the Improvement and Assurance Board to provide updates on the progress of implementing and embedding risk management across the Council.

Actions required (gaps in assurances and/ or controls)

Following approval of the Risk Management Policy and Framework in March 2022, additional work and training is planned to further embed risk management across the Council.

Further training for members

Further training for members is planned throughout 2022/23, including:

- Further training to Audit Committee members on how to scrutinise risk management approaches;
- Training for Portfolio Holders on risk management in their areas of responsibility;
- Training for members providing an overview of risk management.

Further training for officers

Further training for officers is also planned throughout 2022/23, including:

- Further training for Senior Leadership delivered by Zurich scheduled in July 2022;
- Further development of the online training module to incorporate changes in the Risk Management Policy and Framework;
- Further support and training for divisions and services will be delivered as part of the transformation programme. This will include training sessions and register development across services.

Risk Appetite

Following agreement of the risk appetite statements and thresholds for the Council, these have been embedded within Risk and Assurance Registers to support risk owners when assessing risk levels. Further work to promote and embed the risk appetite will include:

- Analysis of existing risks against risk appetite levels;
- Discussions at DLTs as part of next risk review to review findings of analysis;
- Report to CLT next quarter on assessment of existing risk within the Corporate and Directorate Registers against appetite.

Corporate Risk and Assurance Register

Further development of the risk and assurance register format and presentation is also planned in 2022/23 including working with the performance team to align reporting.

Conclusion

This is the first annual report for the strategic risk function and highlights the enormous progress made to embed strategic risk management across the Council during 2021/22. During the year, the team have seen positive engagement and consultation with colleagues and evidence of risk management processes being embedded. This progress has been possible due to the strong leadership and support for risk management from the Chief Executive, Corporate Director for Finance and Resources, CLT and DLT members and the chair of the Audit Committee.