

Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	30 September 2024
Subject:	Risk Update
Chief Officer:	Mike Smith, Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance
Ward(s):	All
Exempt:	NO
Appendices:	Appendix 'A' –Risk Appetite Scale with CLT Recommendations Appendix B – Q1 2024/25 Risk Update Appendix C – Risk Matrix / Heatmap

1. Summary and Recommendations

1.1 This report sets out:

- CLT recommendations for risk appetite for each of the risk categories highlighted in the Government's Risk Appetite Guidance Notes, details of which is appended at Appendix A.
- The Q1 2024/25 Risk Update, summarised at Appendix B.

Recommendations:

1.2 The Audit and Corporate Governance Committee is recommended to:

- Consider whether the CLT recommendations for Risk Appetite as set out in Appendix A for each of the risk categories are appropriate.
- Endorse or recommend changes to the CLT recommendations.
- Note the Q1 2024/25 Risk Update.

Reasons

1.3 The Government's Risk Appetite Guidance Note (August 2021) explains that Risk Appetite provides a framework which enables an organisation to make informed management decisions and helps it to achieve its strategic objectives.

1.4 Summarising the Council's corporate risks for the Audit & Governance Committee ensures that Members are advised of the key risks facing the Council, and the extent to which they are being managed.

Commissioner Review

Effective risk management is essential for a local authority. The work progressed in the last quarter reflects progress toward providing the Committee with adequate assurance of corporate risk management. This is the first Corporate Risk report for the current financial

year and should represent a collation of risks identified and assessed as significant risks to the Council ability to meet its strategic and operational objectives. The report demonstrates that efforts need to continue to embed a culture of good risk management across the Council, with a clear approved risk strategy for the identification and acceleration of risk, design of the actions to manage that risk and the monitoring and delivery of those actions, which is crucial to the effective running of the organisation.

2. Background

- 2.1 The Council deals with risk every day from managing its infrastructure, delivering its services, managing its supply chains, maintaining safe systems for staff and residents and delivering on its strategic aims. Effective risk management is concerned with identifying material risks, assessing them in a consistent manner, and managing them to levels that are considered to be acceptable.
- 2.2 Definition of Risk Appetite for a range of risk categories helps an organisation to understand the level of risk that is deemed to be acceptable. This can form the basis of understanding whether current risk levels are outside of appetite, and can drive the actions or mitigations required to reduce risk. It can also drive risk reporting by focussing on risks that exceed the acceptable level of risk.
- 2.3 In July 2024, the CLT provided recommendations for the Risk Appetite for a range of risk categories (Appendix B). Good practice is for this committee to review this assessment and consider whether it adequately addresses the risks and priorities of the Council at this time. The assessment should be reviewed over time and risk appetite will change to respond to changing circumstances.
- 2.4 In August 2024, an experienced Interim Risk Manager was appointed to fill a post that has been vacant since 2023. The Interim Risk Manager has been revisiting the Corporate Risk Register and supporting risk materials.
- 2.5 The Interim Risk Manager has also worked with senior officers to discuss effective risk management and review corporate and directorate risks. The role of the risk manager is to provide support, guidance, professional advice and the necessary tools and techniques to enable the Council to have in place effective risk management systems. Senior officers are responsible for managing the risks in their areas of operation, and, in the absence of an officer risk committee, CLT is responsible for monitoring the assessment of risks.
- 2.6 This risk report provides a high-level overview of the current corporate risks and reflects the limited time the Interim Risk Manager has been in post. Risk scores have been amended as appropriate, at times reflecting previous scores which may not have been a fair reflection of the prevailing risk situation. Moving forward, exception reporting of the corporate risks will take place, which will highlight changes to the corporate risks and the overall risk profile of the Council.
- 2.7 The Interim Risk Manager is currently carrying out a review of the Risk Management programme, to include the risk quantification criteria and the 2023/24 Risk Management Strategy which was endorsed by the committee in November 2023. Any revisions to the Strategy will be presented to the Audit & Corporate Governance Committee for endorsement in Quarter 3 2024/25. In the meantime, to improve the quality of risk reporting, the corporate risks and directorate risk registers have been revised to be able to provide realistic information, including the effectiveness with which the Council is managing key risks.

- 2.8 Members have differing roles and responsibilities in relation to risk. Cabinet members have responsibility to consider risk in relation to individual decisions and overall strategy. Scrutiny members have responsibility to consider risk when holding Cabinet and other parts of the Council to account on individual projects and functions. All elected members have a responsibility for ownership of risk by identifying, mitigating and regularly reviewing risk. This committee has a specific responsibility to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.

3. Implications of the Recommendation

3.1 Financial implications

- 3.1.1 There are no direct financial implications associated with approval of the Risk Appetite or the Quarter 1 Risk Update. However, the absence of a risk appetite statement could result in inconsistent decisions being taken about the extent of risk mitigation that is required in relation to financial risks. This could lead to excessive risk exposure, which in turn could lead to financial loss. Alternatively, an overly cautious approach to financial risk could result in the imposition of excessive controls and, as control activities typically cost money, to excessive expenditure. Further, in the event that current risk exposure exceeds risk appetite, investments may be required in the form of additional mitigations.

3.2 Legal implications

- 3.2.1 The Council has a best value duty under the Local Government Act 2003. This is the duty the Council has been found to have failed to meet and this has resulted in the Council being under statutory direction of the Ministry of Housing, Communities and Local Government (MHCLG) and having appointed commissioners under a formal direction. The statutory direction includes specific actions which are linked to management of risk, including reviewing the strategic risk register and taking steps to enable better and evidence-based decision making and in general undertaking required action to avoid incidents of poor governance or financial mismanagement that would give rise to further failure to comply with the best value duty.
- 3.2.2 Since publication of the direction, MHCLG has issued guidance on the best value standards and intervention. This confirms the importance of effective risk management. It sets out characteristics of well and poorly performing authorities. Characteristics of a well performing authority include use of performance indicators, data and benchmarking to manage risk, innovation being encouraged and supported within the context of a mature approach to risk management, robust systems being in place and owned by members for identifying, reporting, mitigating and regularly reviewing risk, risk awareness and management informing every decision and robust systems being in place to identify, report, address and regularly review risk. Indicators of potential failure include risk management not being effective, owned corporately and/or embedded throughout the organisation, lack of meaningful risk registers at a corporate level, risks not being owned by senior leaders, risk registers downplaying some risks and lacking action to mitigate risk, risks being covered up to protect reputations, excessively risky borrowing and investment practices with inadequate risk management strategy in place, failure to manage risks associated with companies, joint ventures and arms-length bodies, high dependency on high-risk commercial income to balance budgets and unusual or novel solutions being pursued which lack rigour or adequate risk appraisal.

3.3 Risk Management implications

- 3.3.1 The Risk Appetite Statement is an important building block in the development of risk management arrangements. It will help to enhance risk management within the Council by helping to indicate the levels of risk that are deemed to be acceptable for various risk categories. This will help managers / risk owners to identify “target risk” levels, and to define mitigations to reduce risk exposure to acceptable levels.
- 3.3.2 The appointment of the Interim Risk Manager is expected to help the Council to drive improvements throughout the current risk management processes.

3.4 Environmental implications

- 3.4.1 There are no specific environmental implications associated with approval of the Risk Appetite or the Risk Update. However, effective risk management will help the Council consider the impact of its decisions on its environment and the impact of environmental risks at a local, national and international level on its functions.

3.5 Equality implications

- 3.5.1 There are no equality implications associated with approval of the Risk Appetite or the Risk Update. However effective risk management will help ensure the Council complies with its equality duties and considers and meets the needs of its diverse communities.

4. Background Papers

- 4.1 None.

Appendix 'A' – Risk Appetite Scale with CLT Recommendations

For each category the risk appetite is identified on a scale described as Averse, Minimal, Cautious, Open or Eager. The [Orange Book's Risk Appetite Guidance Note](#) has been used to provide a description of each element of the risk appetite scale for each risk category to assist in allocating risk appetite to the category.

Approved risk appetite levels are expected to be taken into account when considering individual risks and proposing proportionate risk mitigation and risk response.

CLT recommendations for each of the risk categories is highlighted in yellow.

Risk Appetite Level Definition					
	Averse	Minimal	Cautious	Open	Eager
Strategy	Guiding principles or rules in place that limit risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 5+ year intervals	Guiding principles or rules in place that minimise risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 4-5 year intervals	Guiding principles or rules in place that allow considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 3-4 year intervals	Guiding principles or rules in place that are receptive to considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 2-3 year intervals	Guiding principles or rules in place that welcome considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 1-2 year intervals
Governance	Avoid actions with associated risk. No decisions are taken outside of processes and oversight / monitoring arrangements. Organisational controls minimise risk of fraud, with significant levels of resource focused on detection and prevention.	Willing to consider low risk actions which support delivery of priorities and objectives. Processes, and oversight / monitoring arrangements enable limited risk taking. Organisational controls maximise fraud prevention, detection and deterrence through robust controls and sanctions.	Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring arrangements enable cautious risk taking. Controls enable fraud prevention, detection and deterrence by maintaining appropriate controls and sanctions.	Receptive to taking difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements enable considered risk taking. Levels of fraud controls are varied to reflect scale of risks with costs.	Ready to take difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements support informed risk taking. Levels of fraud controls are varied to reflect scale of risk with costs.
Operations	Defensive approach to operational delivery - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority.	Innovations largely avoided unless essential. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for noncritical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
Legal	Play safe and avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge.	Want to be reasonably sure we would win any challenge.	Challenge will be problematic; we are likely to win, and the gain will outweigh the adverse impact.	Chances of losing are high but exceptional benefits could be realised.
Property	Obligation to comply with strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Recommendation to follow strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Requirement to adopt arrange of agreed solutions for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Consider benefits of agreed solutions for purchase, rental, disposal, construction, and refurbishment that meeting organisational requirements.	Application of dynamic solutions for purchase, rental, disposal, construction, and refurbishment that ensures meeting organisational requirements.
Financial	Avoidance of any financial impact or loss, is a key objective.	Only prepared to accept the possibility of very limited financial impact if essential to delivery.	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities.	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels.	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place).

Risk Appetite Level Definition					
	Averse	Minimal	Cautious	Open	Eager
Project / Programme	Defensive approach to transformational activity - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority. Benefits led plans fully aligned with strategic priorities, functional standards.	Innovations avoided unless essential. Decision making authority held by senior management. Benefits led plans aligned with strategic priorities, functional standards.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Plans aligned with strategic priorities, functional standards.	Innovation supported, with demonstration of commensurate improvements in management control. Responsibility for noncritical decisions may be devolved. Plans aligned with functional standards and organisational governance.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust rather than close control. Plans aligned with organisational governance.
Reputational	Zero appetite for any decisions with high chance of repercussion for organisations' reputation.	Appetite for risk taking limited to those events where there is no chance of any significant repercussion for the organisation.	Appetite for risk taking limited to those events where there is little chance of any significant repercussion for the organisation.	Appetite to take decisions with potential to expose organisation to additional scrutiny, but only where appropriate steps are taken to minimise exposure.	Appetite to take decisions which are likely to bring additional Governmental / organisational scrutiny only where potential benefits outweigh risks.
Data & Information Management	Lock down data & information. Access tightly controlled, high levels of monitoring.	Minimise level of risk due to potential damage from disclosure.	Accept need for operational effectiveness with risk mitigated through careful management limiting distribution.	Accept need for operational effectiveness in distribution and information sharing.	Level of controls minimised with data and information openly shared.
Security	No tolerance for security risks causing loss or damage to HMG property, assets, information or people. Stringent measures in place, including: <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • Staff vetting maintained at highest appropriate level. • Controls limiting staff and visitor access to information, assets and estate. • Access to staff personal devices restricted in official sites. 	Risk of loss or damage to HMG property, assets, information or people minimised through stringent security measures, including: <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • All staff vetted levels defined by role requirements. • Controls limiting staff and visitor access to information, assets and estate. • Staff personal devices permitted, but may not be used for official tasks. 	Limited security risks accepted to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • Vetting levels may flex within teams, as required • Controls managing staff and limiting visitor access to information, assets and estate. • Staff personal devices may be used for limited official tasks with appropriate permissions. 	Considered security risk accepted to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> • New starters may commence employment at risk, following partial completion of vetting processes • Permission may be sought for travel within FCDO restricted areas. • Controls limiting visitor access to information, assets and estate. • Staff personal devices may be used for official tasks with appropriate permissions. 	Organisational willing to accept security risk to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> • New starters may commence employment at risk, following partial completion of vetting processes • Travel permitted within FCDO restricted areas. • Controls limiting visitor access to information, assets and estate. • Staff personal devices permitted for official tasks.


Risk Appetite Level Definition					
	Averse	Minimal	Cautious	Open	Eager
Commercial	Zero appetite for untested commercial agreements. Priority for close management controls and oversight with limited devolved authority.	Appetite for risk taking limited to low scale procurement activity. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with demonstration of benefit / improvement in service delivery. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
People	Priority to maintain close management control & oversight. Limited devolved authority. Limited flexibility in relation to working practices. Development investment in standard practices only	Decision making authority held by senior management. Development investment generally in standard practices.	Seek safe and standard people policy. Decision making authority generally held by senior management.	Prepared to invest in our people to create innovative mix of skills environment. Responsibility for noncritical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust rather than close control.
Technology	General avoidance of systems / technology developments	Only essential systems / technology developments to protect current operations.	Consideration given to adoption of established / mature systems and technology improvements. Agile principles are considered.	Systems / technology developments considered to enable improved delivery. Agile principles may be followed.	New technologies viewed as a key enabler of operational delivery. Agile principles are embraced.

Appendix B – Q1 2024/25 Risk Update

Corporate Risk Register Scores

The updated corporate risk register scores and outlook designated by Risk owners as at Q1 are summarised below. These will be reviewed for the Q2 update following further assessment.

Corporate Risk	Current Risk Score	Target Risk Score	Qtr Change
CR1: Children's Safeguarding	12	9	➔
CR2: Delivery of the Adult Social Care Transformation Programme	9	6	➔
CR3: SEND Local Area Inspection	16	4	➔
CR4: Impact of the cost-of-living crisis on Slough's residents (is this still current? Suggest it is removed or moved under CR10)	12	6	➔
CR5: Temporary Accommodation	20	16	➔
CR6: Recruitment and Retention	20	16	➔
CR7: Health and Safety	16	16	➔
CR8: Business Continuity and Emergency Planning	16	12	➔
CR9: Cyber Security	20	9	⬇️
CR10: Financial management and sustainability	20	15	➔
CR11: Delivery of the Asset Disposal Programme (Pace and value)	12	8	➔
CR12: Governance of Council Companies	9	2	➔
CR13: Improvement and Recovery Planning	20	6	➔
CR14: Digital Strategy	12	8	➔
CR15: 'Inadequate' Rating by CQC	8	6	➔
CR16: Market Sustainability	12	8	➔

CR17: IT Resiliency	16	6	
CR18: Data Protection	12	6	

Movement since last quarterly review

KEY:

Improving 	Stable 	Deteriorating 
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Target scores are being measured over a 12 month timeline. Relevant treatment/mitigation plans to be in place with achievable milestones and regularly monitored.

Commentary

From initial meetings of the risk manager with risk owners, it was evident that risks are being managed however there is no clear corporate risk framework approach, nor is there robust risk reporting. A number of risk owners were unaware of the existence of their entries on the corporate risk register, or noted that the corporate risk register was so out of date that it could not be relied upon to provide usable management information in respect of identifying the risk, how effective identified controls were and what was being done to meet identified target risks.

It was also apparent that a number of current corporate risks either do not properly identify what the risk actually is e.g. CR2 (*Delivery of the Adult Social Care Transformation Programme*) and CR11 (*Pace of Sale and Valuation of Assets*). Further, it is possible that some risks may no longer be considered to be corporate risks. These will be investigated further for the Q2 risk update, along with options for enhanced risk reporting.

Appendix C – Risk Heatmap

IMPACT	5	Very High	15	19	22	24	25
	4	High	10	14	18	21	23
	3	Moderate	6	9	13	17	20
	2	Low	3	5	8	12	16
	1	Very low	1	2	4	7	11
			Rare	Unlikely	Possible	Probable	Almost certain
			1	2	3	4	5
LIKELIHOOD							

The risk matrix can be used to determine the location of the Current and Target risk positions for each of the Corporate Risks.