

Meeting: Audit Committee

Date: 25 February 2025

Wards Affected: All

Report Title: Risk Management Update

Is the decision a key decision? No

When does the decision need to be implemented? N/A

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Director Contact Details: Matthew Fairclough-Kay, Director of Corporate Services
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1. Introduction

- 1.1 This report is provided to Members to update them on the Council's current risk position and make them aware of any notable information with regards to the Council's overall risk management arrangements. It is the second of three risk reports that will be presented to Audit Committee for financial year 2024/25.
- 1.2 Since the last report brought to Audit Committee in July, the Council has made good progress in actioning the observations raised as part of the audit conducted by Devon Assurance Partnership. The risk policy has been updated and the scoring matrix refined which reduced the impact categories from 13 to 9. Both documents are attached to the report as Appendix A.
- 1.3 A 5 x 5 risk matrix is used to score the risks, meaning the maximum score a risk could be is 25. All risks that have a mitigated risk score of 16 or above (therefore considered to be high or very high risk for the Council) are detailed in the supporting appendices of this report – Appendix B shows the Council's strategic risks which are scoring 16 or above and Appendix C shows the Council's corporate risks which are scoring 16 or above.
- 1.4 The Council's Risk Management Policy includes a description of the roles and responsibilities in relation to risk management. In respect of Audit Committee, the Policy says:
- “Providing assurance that the Council has an effective and proportionate Risk Management Framework in place. As part of this, the committee keeps the council's Strategic and Corporate Risk Registers under review, providing appropriate challenge as necessary.”*
- 1.5 In practical terms Cabinet members are responsible for considering risks to the organisation in all of their decision making. Discussing relevant risks included on the registers in their one-to-one meetings with Directors and, with their Directors, ensure that action is taken as required.

2. Risk Overview

- 2.1 The Council currently has eight Strategic Risks and 72 Corporate Risks appearing on its risk registers. A full list is attached as Appendix D.
- 2.2 The eight Strategic Risks all have **unmitigated** scores of 16 or above. As at the time of drafting this report, three have **mitigated** scores of 16 and above. These scores have remained high since they were put in place.
- 2.3 44 of the 72 Corporate Risks have **unmitigated** scores of 16 or above. 12 risks have **mitigated** scores of 16 and above.
- 2.4 Risks that have scores of 16 or above highlight that there is a probability that it is likely/almost certain that should the risk occur, it would have a major or critical impact on the business. Below are the risk matrixes for the Council's Strategic and Corporate Risk Registers. They show the number of risks that appear for each score.

Risk Matrix - Mitigated Strategic Risks as at 10 February 2025

| | 1 - Rare | 2 - Unlikely | 3 - Possible | 4 - Likely | 5 - Almost certain |
|-------------------|----------|--------------|--------------|------------|--------------------|
| 5 - Critical | 0 | 0 | 1 | 1 | 0 |
| 4 - Major | 0 | 0 | 1 | 2 | 0 |
| 3 - Moderate | 0 | 0 | 1 | 1 | 0 |
| 2 - Minor | 0 | 1 | 0 | 0 | 0 |
| 1 - Insignificant | 0 | 0 | 0 | 0 | 0 |

Risk Matrix - Mitigated Corporate Risks as at 10 February 2025

| | 1 - Rare | 2 - Unlikely | 3 - Possible | 4 - Likely | 5 - Almost certain |
|-------------------|----------|--------------|--------------|------------|--------------------|
| 5 - Critical | 0 | 3 | 5 | 4 | 1 |
| 4 - Major | 1 | 9 | 12 | 6 | 1 |
| 3 - Moderate | 3 | 6 | 14 | 4 | 1 |
| 2 - Minor | 0 | 1 | 1 | 0 | 0 |
| 1 - Insignificant | 0 | 0 | 0 | 0 | 0 |

Strategic Risks (mitigated 16 or above)

| Code | Risk Title | Last Mitigated Score |
|------|---|----------------------|
| ST05 | Failure to supply sufficient housing for Torbay's needs | 20 |
| ST03 | Failure to have good economic growth that allows us to address the needs of the most vulnerable | 16 |
| ST09 | Failure to adapt to a changing climate | 16 |

Corporate Risks (mitigated 16 or above)

| Code | Risk Title | Last Mitigated Score |
|------|--|----------------------|
| CP17 | Placement sufficiency | 25 |
| CP05 | Failure to comply with Health & Safety legislation | 20 |
| CP06 | Failure for our wholly owned companies to comply with H&S, fire, environmental legislation. | 20 |
| CP14 | Delivery of SEND | 20 |
| CP15 | Failure to stabilise the budget for the Higher Needs block | 20 |
| CP46 | Effective Housing delivery | 20 |
| CP53 | Failure to deliver the Statutory Harbour Authority (SHA) functions | 16 |
| CP72 | Inadequate resources to satisfy the obligations of the Flood and Water Management Act Schedule 3 | 16 |
| CP47 | Effective delivery of Economic Growth Strategy | 16 |

| | | |
|------|--|----|
| CP73 | Failure to adequately undertake proactive improvement works to cliffs and coastal defences | 16 |
| CP74 | Failure to effectively maintain Council Heritage Assets | 16 |
| CP75 | Failure to effectively maintain and invest in our Operational Estate | 16 |

3. Risk Reviews

3.1 At the time of writing this report, all risks appearing on the Council's Strategic and Corporate Risk Registers have been reviewed (updated) in accordance with the timescales set out in our Risk Management Framework.

4. Changes to our Strategic and Corporate Risk Registers

4.1 Since the last report, significant work has taken place to review the risks that were appearing on the registers for the Torbay Economic Development Company. Now these services have been transferred back to the Council, six new corporate risks have been drafted, approved by Directors and added to the Council's corporate risk register and 23 service risks put in place. All managers and staff that transferred over to the Council who manage risk have received training on the Council's risk management framework and risk software SPAR.net. Regular risk reviews have begun.

4.2 In addition to the above, since the last report, Directors have also agreed and added one new strategic risk and seven new corporate risks to the Council's registers.

- ST10 - Failure of Torbay and South Devon NHS Foundation Trust to deliver Adult Social Care Statutory duties
- CP64 – Failure to deliver the financial sustainability plans as set out in the 2024/25 budget papers
- CP65 - Failure to comply with the grant conditions for the Youth Investment Fund
- CP66 - Failure to transfer PFI schools back to the Council in good condition with the appropriate workforce
- CP67 - Non-compliance with Council's visual identity standards
- CP68 – ASC Transformation Programme fails to deliver financial sustainability
- CP69 - Failure to show due regard in relation to our legal duty under the Armed Forces Act 2021
- CP70 - Failure to prevent employees from being subjected to sexual harassment in the workplace

4.3 In December, Directors held a risk appetite session. They reviewed the Council's strategic and corporate risk registers, discussed the categorisation of the risks, the trajectory of the mitigated risk scores, the tolerable and optimal positions for the risks and consequently set the Council's appetite to risks for each category.

4.4 The session was facilitated by the Head of Policy, Performance and Community Engagement with support and challenge provided by the Head of Devon Assurance Partnership. Following the session there are a series of activities that need to take place including; setting target and acceptable risk scores for each risk and embedding the newly devised risk appetite statements into the Council's decision-

making processes. The new risk appetite statements will provide the framework to enable our Members and Officers to make informed decisions. By introducing risk appetite into our framework, we will embed improved risk assurance into our decision making.

- 4.5 A risk report is considered at the Directors Overview Meeting usually on a monthly basis. In addition to considering new and revised risk forms (which are standard items), during this financial year they have also considered and made decisions on reports that focussed on:
- the Council's service risk position and reviewed details of service risks with mitigated scores of 16 and above
 - the processes and decisions needed on the transfer of risks from the Torbay Economic Development Company back to the Council
 - SWISCo's risk improvement activities, including the establishment of their risk registers, scoring and management processes
 - escalation and de-escalation of risks on and off the strategic and corporate registers
 - risks with no change to their mitigated risk scores 6 for months or more
 - reviewing in detail the risks appearing on the strategic and corporate registers to identify any changes or additions needed.

5. Wholly Owned Companies Risk Registers

- 5.1 As part of the Audit Committee induction session, it was agreed by the Director of Finance that Members would be updated on the risk position of our wholly owned companies once a year. This report includes an update on SWISCo's risk position.
- 5.2 Over a period of 18 months, the Managing Director of SWISCo has worked with the Performance and Risk Manager, supported by the Head of Devon Assurance Partnership, to establish registers for their strategic, corporate and service risks. Three workshops have taken place, delivering training and supporting the management team in risk identification. The service risk registers were established during the summer and went live on SPAR.net in September.
- 5.3 Risks are regularly updated on SPAR.net, discussed at the weekly management team meeting and shared at the SWISCo Board Meeting as well as the SWISCo Shareholder Panel.
- 5.4 Attached as Appendix E is a full list of SWISCo's risks appearing on their strategic and corporate risk registers. They currently have: two strategic risks, 19 corporate risks and 56 service risks.
- 5.5 The two strategic risks both have **unmitigated** scores of 16 or above. At the time of writing this report, one had a **mitigated** score of 16 and above.
- 5.6 13 of the 19 corporate risks have **unmitigated** scores of 16 or above. 3 risks have **mitigated** scores of 16 and above.
- 5.7 Below are the risk matrixes for SWISCo's strategic and corporate risk registers. They show the number of risks that appear for each score.

| | 1 - Rare | 2 - Unlikely | 3 - Possible | 4 - Likely | 5 - Almost certain |
|-------------------|----------|--------------|--------------|------------|--------------------|
| 5 - Critical | 0 | 0 | 1 | 0 | 1 |
| 4 - Major | 0 | 0 | 0 | 0 | 0 |
| 3 - Moderate | 0 | 0 | 0 | 0 | 0 |
| 2 - Minor | 0 | 0 | 0 | 0 | 0 |
| 1 - Insignificant | 0 | 0 | 0 | 0 | 0 |

| | 1 - Rare | 2 - Unlikely | 3 - Possible | 4 - Likely | 5 - Almost certain |
|-------------------|----------|--------------|--------------|------------|--------------------|
| 5 - Critical | 0 | 1 | 3 | 0 | 1 |
| 4 - Major | 0 | 1 | 4 | 2 | 0 |
| 3 - Moderate | 0 | 0 | 5 | 1 | 0 |
| 2 - Minor | 0 | 1 | 0 | 0 | 0 |
| 1 - Insignificant | 0 | 0 | 0 | 0 | 0 |

SWISCo's Strategic Risk (mitigated 16 or above)

| Code | Risk Title | Last Mitigated Score |
|------|---|----------------------|
| ST91 | SWISCo - Failure to comply with current legislation in the delivery of our services | 25 |

SWISCo's Corporate Risks (mitigated 16 or above)

| Code | Risk Title | Last Mitigated Score |
|-------|---|----------------------|
| CP111 | Waste management facilities insufficient to meet current demand and anticipated growth | 25 |
| CP106 | Cost of service delivery outstrips available resources and budget | 16 |
| CP110 | Failure of commissioning agreement to recognise impact of financial pressures beyond SWISCo control | 16 |

5.8 Attached as Appendix F are details relating to the risks that are appearing with mitigated scores of 16 and above.

6.0 CP01 Lack Of Effective Risk Management – Reduced Mitigated Risk Score

6.1 In light that the Council has its risk management practices fully embedded throughout the Council and SWISCo, as well as being near completion of its Phase 2 Improvement Plan, the mitigated risk score for CP01 Lack of effective risk management has been reduced down to 8 Impact 4 Major x Probably 2 Unlikely.

7.0 Recommendation(s) / Proposed Decision

- (i) That the report be noted, and Audit Committee identify any issues it wishes to raise relating to the risks in Appendices B, C, D, E and F.

Appendices

Appendix A: Risk Policy and Scoring Matrix

Appendix B: Torbay Council's Strategic Risks Detailed Report (16 and above)

Appendix C: Torbay Council's Corporate Risks Detailed Report (16 and above)

Appendix D: Torbay Council's Strategic and Corporate Risk Registers

Appendix E: SWISCo's Strategic and Corporate Risk Registers

Appendix F: SWISCo's Strategic and Corporate Risks Detailed Report (16 and above)

Background Documents

| Report clearance: | This report has been reviewed and approved by: | Date: |
|--------------------------------|---|--------------|
| Chief Executive | Anne-Marie Bond | |
| Monitoring Officer | Amanda Barlow | |
| Director Of Finance Officer | Malcolm Coe | |
| Director Of Corporate Services | Matthew Fairclough-Kay | |