AUDIT AND GOVERNANCE COMMITTEE

DATE	16/07/2026
REPORT OF	Assistant Director Law and Governance
SUBJECT	Risk Management Annual Report
STATUS	Open

CONTRIBUTION TO OUR AIM

An effective approach to risk management, including the maintenance of a strategic risk register, supports the delivery of the Council's strategic aims by identifying, evaluating and then mitigating those issues which could result in them not being effectively delivered.

EXECUTIVE SUMMARY

This report provides the Audit and Governance Committee with an Annual Report for 2025/26 (Appendix 1). It provides an overview of the Council's risk management activities that have taken place during the year.

RECOMMENDATIONS

That the Committee reviews the contents of the Annual Risk Report.

REASONS FOR DECISION

The Committee's responsibilities include monitoring the effectiveness of the Council's risk management framework. As part of discharging its responsibilities it receives an annual summary of risk management activity.

1. BACKGROUND AND ISSUES

1.1. The purpose of this report is to provide assurance to the Council on its arrangements related to risk and the effectiveness of those arrangements. The following activities have been carried out by the Risk and Governance Lead Officer during 2025/26.

1.2. In exceptionally challenging times and with constrained resources the Council continues to apply a good level of risk management to prevent or mitigate the effects of loss and harm. In doing so we recognise that good risk management contributes to the delivery of better service, financial outcomes and achievement of targets.

1.3. The Council purposefully promotes a risk aware culture and places risk management at the heart of key decisions that it makes.

2. RISKS, OPPORTUNITIES AND EQUALITY ISSUES

Risk management is the systematic identification, analysis and economic control of opportunities and risks that challenge the assets, reputation and objective of the Council.

An effective risk management framework is an essential element of good management and a sound internal control system, risk management being a key contributor to good governance.

3. OTHER OPTIONS CONSIDERED

Not applicable - the Audit and Governance Committee is required to regularly receive updates on risk management work as part of the discharge of its responsibilities.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are reputational impacts for organisations that do not manage risk effectively. This report helps mitigate this risk by providing assurance on how risks are managed.

5. FINANCIAL CONSIDERATIONS

Financial risk is one of the issues considered when evaluating risks. Where applicable controls and actions are in place to mitigate any relevant financial risks identified as part of the overall risk.

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

The risk register includes strategic and operation risks relating to Children and Young People.

7. CLIMATE CHANGE, NATURE RECOVERY AND ENVIRONMENTAL IMPLICATIONS

The risk register includes strategic and operational risks relating to the environment. Where applicable *c*limate change and environmental implications are considered in assessing risks.

8. PUBLIC HEALTH, HEALTH INEQUALITIES AND MARMOT IMPLICATIONS

Public Health implications are considered when producing a risk. The Strategic Risk Register includes a risk around inequalities.

9. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report. The risk register includes strategic, corporate and operational risks relating to finance arrangements.

10. LEGAL IMPLICATIONS

The approach to the Council's risk management as set out in this report is considered to comply with the applicable regulatory/statutory framework. An approach to risk includes dealing with legal issues that arise in respect of specific risks. Legal services will therefore be involved, at a sufficiently early stage, to ensure that risks are managed appropriately.

11. HUMAN RESOURCES IMPLICATIONS

There are no direct HR implications arising from the content of this report.

12. WARD IMPLICATIONS

Applicable to all wards.

13. BACKGROUND PAPERS

Risk Management Policy 2025

14. CONTACT OFFICER(S)

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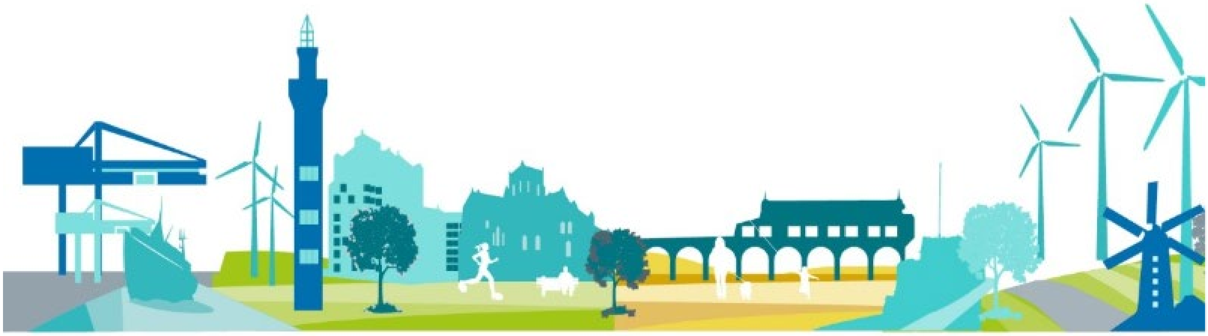
Appendix 1



Stronger Economy: Stronger Communities.
Together we can be stronger.

Our Council Plan pledges to work with partners to invest in our people and our place.

Risk Management Annual Report 2025/26

Introduction

Purpose

The purpose of the annual risk management report is to provide assurance to the Audit and Governance Committee that the Council has appropriate and effective arrangements in place to identify, evaluate and manage risk across all levels of the authority. The report also provides an overview of risk management activity that has taken place during 2025/26.

Ultimately the report aims to demonstrate that risk management is not only a compliance exercise but a critical enabler of good governance, resilience and sound decision-making.

Importance of Risk Management

Local government operates in an environment of increasing complexity, public expectation and financial pressure. From delivering essential frontline services to leading strategic initiatives, councils face a wide range of internal and external uncertainties, that if not properly managed, can undermine performance, value for money and public trust.

Effective risk management in local government is vital because it:

- Supports **informed decision making**, especially when balancing competing priorities or limited resources
- Enhances **organisational resilience** by helping anticipate, prepare for, and respond to disruptive events
- Enables the **achievement of strategic objectives** by identifying and addressing potential obstacles early
- Promotes a **culture of accountability**, transparency and continuous improvement
- Helps ensure **compliance with statutory duties**, governance standards and public expectations

In summary, risk management is essential in protecting public services, ensuring sustainability and creating the conditions for innovation and improvement. It empowers councils not just to survive uncertainty, but to lead confidently through it.

Risk management is not viewed as an isolated function or practice but is applied to other key business processes of the Council, including service planning, financial planning, project management and partnerships. Applying risk management at the right time and in the right way is key to risk management adding value to the organisation and delivering tangible results.

Key Activity and Developments in 2025/26

Risk Management Policy

A new Risk Management Policy was developed and was approved by the Audit and Governance Committee on 6 November 2025. The Policy outlines a framework for identifying, evaluating, and controlling risks faced by the Council. The Policy also includes a statement on the Council's current risk maturity, risk appetite and the introduction of a new category of risk. Details are outlined below:

- **Risk Maturity** – Risk maturity is the effectiveness of an overall organisation's arrangements to identify and manage its risks. Based on their understanding of the Council's risk management system the Risk and Governance Lead Officer has assessed risk maturity of the Council as "**Defined"** where defined is **"**A common risk assessment/response framework is in place. An organisation-wide view of risk is provided to leadership and the board, often in the form of a list of top risks. Action plans are implemented in response to high-priority risks".

- **Risk Appetite -** Risk appetite can be defined as the risk an organisation is prepared to accept in the pursuit of its objectives.

  After discussions with senior management carried out in June 2025 the Council's risk appetite for each of the council plan themes have been defined as below:

Theme	Risk Appetite
Stronger Economy	Open
Stronger Communities	Hungry
Greener Future	Open
Engaging and Effective Council	Open

- **Corporate Risks** – These are day to day operational risks that could impact the wider organisation.

Risk Management Strategy

A draft Risk Management Strategy has been produced. The purpose of the Strategy is to ensure that risk management is further embedded within the Council leading to improved use of resources by focusing on those areas of greatest risk.

Risk Management Toolkit

To support the Risk Management Policy a Toolkit has been produced. The Toolkit provides an approach to implementing best practice management of risk across the Council. The information and guidance included in this will help identify, assess and manage risks that services and departments may face and will help embed the practice of managing risk within the Authority.

Strategic Risk Register (SRR)

The SRR is an essential part of the Council's risk management arrangements. These risks are monitored by the Senior Leadership Team in its role of the Assurance Board. The total of strategic risks have reduced from 22 to 17 through consolidation and reclassification.

It is acknowledged that further work is needed to review the risk descriptions so they are more succinct, applied and clear. This exercise is scheduled to be completed by 31 July 2026.

As part of the exercise to set the Council's risk appetite, a risk appetite category was assigned to each of the strategic risks.

Operational Risk Registers

A review of the operational registers was carried out by the Risk and Governance Lead Officer to assess their completeness. The review confirmed that further work is required to improve them with the following issues being highlighted in some of the registers:

- The target risk score is less than the residual risk score, but no further actions/insufficient action has been recorded to demonstrate how this reduction in risk score will be achieved
- The date of review for individual risks are overdue
- The date of actions are overdue
- Control measures are not proper measures/no controls have been recorded

Work is in progress with the risk champions to address these issues.

Training

Training was provided to the Audit and Government Committee Members in November 2025 with emphasis placed on the new Risk Management Policy.

Training and guidance was provided around risk management when required including training on the risk management system.

Review of Risk Management Arrangements

An internal audit was carried out on the Council's risk management arrangements in June 2025., the results of which were reported to the Audit and Governance Committee in the 2024/25 Annual Progress report. A follow-up audit has been conducted which confirmed that all actions had been fully implemented and substantial assurance on the effectiveness of the control environment was provided.

Key Priorities for 2026/27

Targeted work is planned for 2026/27 to further embed effective risk management into the organisation's day-to-day operations. Risk management maturity is currently at a “Defined” stage of maturity. As we progress towards an “Integrated” stage (Risk management activities are coordinated across business areas. Risk management techniques and tools are used where appropriate, with organisational-wide risk monitoring, measuring, and reporting. Process metrics are in place – but the emphasis remains on managing a list of risks. Discussions about risk are separate from discussions about strategy and performance), the following areas for development have been identified:

- Training is scheduled to be provided to the Audit and Government Committee Members in November 2026 so they have sufficient knowledge to carry out their responsibilities in relation to risk management.
- The development of a risk management eLearning package.
- To work with the risk champions to improve the completeness of operational risk registers.
- To explore the utilisation of Power BI to enhance the reporting of risk information.
- Increased use of AI to identify potential risks and triggers and effects.

Conclusion

Based on the information set out in this report it can be concluded that the arrangements for managing risk within the Council are satisfactory which have been enhanced with the activity that has been carried out in 2025/26. One area that has been identified for improvement relates to the completeness of operational risk registers. Work with the risk champions has been scheduled to improve this issue.