MIDDLESBROUGH COUNCIL	Middlesbrough *moving forward*

Report of:	Director of Legal and Governance Services (Monitoring Officer), Charlotte Benjamin

Submitted to:	Audit Committee

Date:	25 September 2025

Title:	Risk and Opportunities Annual Assurance Report 2024

Report for:	Information

Status:	Public

Council Plan priority:	Delivering Best Value

Proposed decision(s)
That the Audit Committee:
NOTES the current content of the Risk and Opportunities Annual Assurance Report 2024 and the Strategic Risk Register and progress within the six months since it was last shared with the Committee.
CONSIDERS whether the information provided, assures the Committee that management and oversight arrangements of Risk and the Strategic Risk Register are suitable and that plans to further strengthen those arrangements are sufficient.

Executive summary
This report provides an overview of risk arrangements in the Council and a mid-year update to the Committee on the current content of the Council's Strategic Risk Register. Provision of this report supports the Committee to fulfil its governance and oversight responsibilities.
It also sets out the planned actions to further strengthen risk management over the next 12 months and planned communications.

1. Purpose

1. The purpose of this report is to provide the Committee with:

- an overview of the risk arrangements in place within the Council
- a six-month update on the current content of the Council's Strategic Risk Register
- information on activity in the past six months
- planned improvements over the next 12 months.

2. Recommendations

2.1. That the Audit Committee:

- **NOTES** the current content of the Risk and Opportunities Annual Assurance Report 2024 and the Strategic Risk Register and progress within the six months since it was last shared with the Committee.
- **CONSIDERS** whether the information provided, assures the Committee that management and oversight arrangements of Risk and the Strategic Risk Register are suitable and that plans to further strengthen those arrangements are sufficient.

3. Background and relevant information

3.1 Risk management is a critical element of corporate governance and is a statutory requirement for public sector organisations.

3.2 The purpose of Risk Management is to identify and manage risks to reduce their likelihood of occurring and also reduce their impact, should they occur. The Council is committed to maintaining a systematic and cost-effective approach to the identification and management of risk that is consistent with best practice and complies with statutory and audit requirements.

4. The Council's approach

4.1 Risk Management is the collective responsibility of all elected Members and officers of the Council. The Council's approach to Risk Management is articulated by the Risk Management Framework and Policy which was approved by Executive in July 2023.

4.2 The Council uses risk registers to manage the various risks it identifies. The overarching risk register is called the Strategic Risk Register (SRR). This register captures the most significant risks the organisation is exposed to that could impact on its ability to deliver its strategic priorities which are outlined in the strategic plan.

4.3 This SRR is underpinned by directorate level risk registers which are monitored by directors. Within project and programmes, risks are captured using

standardised project documentation which includes risk registers. There are processes in place to ensure risks are considered either as they are managed during business-as-usual processes, or throughout the life of a project and that they are escalated and de-escalated as appropriate.

4.4 In addition to annually reporting the Council's overall approach on Strategic Risk Management to this Committee, the Committee receives a six month update on progress against the Strategic Risk Register planned actions. From the September 2025 meeting onwards, the Committee will also have a rolling programme of deep dives into strategic risks, with Leadership Management Team representatives to set out their approach to managing risks that they own. A summary of the SRR is monitored monthly in a performance deck and reviewed every three months by the Leadership and Management Team.

4.5 A summary of the current SRR is appended to this report at Appendix 1.

5. Strategic Risk Register

5.1 In the last six months one new strategic risk has been added detailed below and is the subject of a separate agenda item at this Committee:

- SR-16 - Removal of the statutory override preventing the Dedicated Schools Grant (DSG) deficit from being met from general fund resources. If the statutory override issued by central government expires as planned on 31 March 2026, without providing a national solution to the current shortfall in funding compared to demand and cost of high needs provision. **Rationale for inclusion,** due to the current deficit being covered by the government if the override was to cease without sufficient reform in the sector, the Local Authority would be required to meet the deficit which sits at around £20 million. There is a separate presentation on this risk on the Committee's agenda.

5.2 The following actions were identified to manage this risk:

- SR-16a Lobbying Government to resolve the funding issue and provide a long-term solution to the Dedicated Schools Grant (DSG) deficit issue.
- SR-16b Ongoing monitoring of the High Needs Fund (HNF) budget.
- SR-16c Work with schools and settings to reduce the number of children and young people who are excluded.
- SR-16d Promote greater inclusion within mainstream settings.
- SR-16e Reduce the number of children and young people on out of area provision.

5.3 In addition to the new risk identified, officers continued to maintain a cycle of reviewing risk registers to identify whether planned mitigations are sufficient, scores are still appropriate and whether the nature of the risk has changed. The summary output of this work in relation to the Strategic Risk Register is set out below:

Strategic Risk Register	February – August 2025
New Risks	1
New Actions	11
New Assessments	5
Deactivated Risks	0
Number of actions completed	18

5.4 In five cases new assessments of risks were completed. As a result of these assessments the following has changed:

- **SR-01** Failure to Maintain a balanced budget and Medium Term Financial Plan (MTFP) – **Revised Risk Score:** Likelihood reduced from *Likely (4)* to *Possible (3)* Impact remains *Catastrophic (7)* resulting in a new overall risk rating of **21**, down from **28**.
  Rationale: The likelihood of this risk was lowered following the Council's approval of a balanced budget for 2025/26 and 2026/27 on 19 February 2025. However, the financial position remains uncertain for 2027/28 and 2028/29, where the budget is currently unbalanced. The impact rating remains *Catastrophic* due to the potential severity should the financial position deteriorate in future years.

- **SR-02** Volatility in the demand and cost of adult social care - **Revised Risk Score:** Likelihood reduced from *Likely (4)* to *Unlikely (2)* Impact remains *Major (5)* resulting in a new overall risk rating of **10**, down from **20.**
  Rationale: The agreement of fee rates for 2025/2026 has provided greater financial certainty, contributing to a reduced likelihood of volatility in costs. However, potential implications of the pending Employment Rights Bill may lead to increased provider costs, which is being monitored closely.

- **SR-09:** Corporate Governance Arrangements Not Fit for Purpose **Revised Risk Score:** Likelihood reduced from *Possible (3)* to *Unlikely (2).* Impact remains *Major (5)*, resulting in a new overall risk rating of **10**, down from **15**.
  Rationale: Following a successful Corporate Peer Challenge session, removal from the Best Value Notice, and the ongoing delivery of the Continuous Improvement Plan, there have been consistent and measurable improvements in Corporate Governance. These developments justify the reduction in the likelihood of this risk materialising.

- **SR-10** Negative Impact of Mayoral Development Corporation. **Revised Risk Score:** Impact reduced from *Major (5)* to *Moderate (3);* Likelihood reduced from *Possible (3)* to *Unlikely (2)* resulting in a new overall risk rating of **6**, down from **15.**
  Rationale: The appointment of new staff and ongoing constructive discussions around a medium-term delivery plan have helped alleviate concerns regarding the potential negative impact of the Mayoral

Development Corporation. These developments support a reduction in both the impact and likelihood of the risk.

- **SR-11** Failure to have strategic partnership working. **Revised Risk Score:** Impact reduced from *Catastrophic (7)* to *Moderate (3)*. Likelihood remains *Possible (3)*, resulting in an overall score of **9,** down from **21**.
  Rationale: An initial stakeholder meeting has taken place, resulting in a principal agreement to establish a Town Board involving key partners. This initiative aligns with the strategic risk approach and aims to monitor and manage outcomes from the LGA Peer Review. Due to the ongoing efforts led by the Chief Executive, the potential impact of this risk has been significantly reduced.

5.5 Actions are actively monitored by both the Strategic Risk and Health and Safety Manager and the Risk and Business Continuity Officer. Updates are generally submitted on time by responsible officers, with sufficient supporting evidence provided to confirm completion. Of the 18 actions marked as completed, 2 were overdue but were finalised within an agreed timeframe. One action remains overdue within the Strategic Risk Register, linked to Strategic Risk 14. This action has recently been reassigned to a new officer who is currently working towards its completion.

Directorate Risk Registers

5.6 The Strategic Risk Register has a supporting suite of Directorate Risk Registers. Escalations and de-escalations of risk are agreed by the Council's Leadership team. In addition, directorate management teams review their risks, monthly. This and other measures ensure the Council has a grip on its risk management approach. Below is a summary position of actions taken during last 12 months to manage risks held at directorate level:

Directorate Risk Register	Regeneration	Adults	Public Health	Children's Services	Environment	Finance	Legal and Governance Services
Total Active Risks	28	10	5	18	22	24	32
New Risks	2	3	1	13	10	2	10
New Actions	8	17	0	44	26	6	13
Live Mitigating Actions	11	4	1	37	28	3	32
New Assessments	7	5	2	3	16	12	3
Deactivated Risks	7	4	3	0	7	20	9

6   Horizon Scan

6.1 The Council regularly reviews the policy landscape and national reports to identify and review its risks. Current risks on the horizon include:

- Artificial Intelligence (AI) - AI has the potential to enhance workstreams and improve capacity. However, a lack of understanding of these systems can have catastrophic consequences. Work is ongoing to understand these risks.
- Devolution and Government's appetite for local government reorganisation – both have the potential to impact significantly on the Council and its partners.

7   Risk Management - Improvement Plan

7.1 A Risk Improvement Plan was developed in March 2024 for the Council to ensure that it is committed to ensuring its Risk Management practice continues to be effective. Actions were split into the following areas:

- Risk communication and training – Improved notifications of risk and action updates.
- Strategic risk identification and monitoring – Chief Executive monthly and Leadership Management Team (LMT) quarterly reviews.
- Risk management processes – Departmental Management Team (DMT) monthly reviews.
- Risk Management Documentation – Risk Portals.

Risk Communication and Training

7.2 In 2024, the risk management webpage was redeveloped, with all related documentation now accessible via the intranet. Enhancements were also made to the eLearning modules on Middlesbrough Learns. The Risk Management Group is now fully operational, meeting quarterly to oversee and manage risks, with internal audit representatives in attendance.

7.3 Risk and action notifications were reintroduced on Ideagen, the ICT system that is used to hold and manage the Council's risks. The system alerts owners when updates are due. This, combined with the Risk and Business Continuity Officer's attendance at every DMT meeting, has significantly improved compliance and performance.

7.4 Dedicated portals have been developed to provide senior management within each directorate with streamlined access to key information. These portals serve as a central hub for viewing risks, associated actions, audit actions, the Council Plan, and KPIs. They also allow directors to download a Word version of their directorate's risk register.

Risk Identification and Monitoring

7.5 Horizon scanning identifies significant emerging risks that the Council should be aware of and how they impact on the organisation. The information from this is

considered by Leadership Management Team and the outcome is reflected within risk registers as appropriate. This exercise is repeated every 6 months.

7.6 Statistical analysis of the Council's insurance claims was undertaken to identify any risk trends forming and this information was reviewed by the Risk Management Group.

7.7 Bi-annual reporting of the strategic risk register has been implemented, giving the audit committee improved oversight of performance.

Risk Management Processes

7.8 The Risk and Business Continuity Officer now receives all final internal audit reports and ensures that any identified actions are recorded in the risk management system for ongoing monitoring and review. Auditors have access to the risk management system as well to enable them to view relevant risks when planning their audits and can seek support from the Strategic Risk and Health and Safety Manager or the Risk and Business Continuity Officer as needed.

7.9 The quarterly performance report includes dedicated sections for strategic risks, risk performance, and audits. Guidance is available to assist service areas in completing risk profile requests, helping them identify and document the risks they are managing within the Council's risk registers. The Risk and Business Continuity Officer conducts monthly compliance checks on the risk section and provides feedback where necessary.

Internal Audit of Risk Management

7.10 An internal audit of the Council's risk management arrangements was completed in February 2025. The framework received a rating of *Substantial Assurance*, with no recommendations for improvement or identified opportunities at the time of the audit.

Risk Management Activities for 2025

7.11 During 2025/26, further work will be undertaken to build on progress made in 2024/25 part of the Council's commitment to continual improvement in risk management planning. Planned activity includes:

- Ensure senior leaders actively support and promote risk management, visibly demonstrating this commitment during monthly Directorate Management Team (DMT) meetings.
- Deliver regular training across all levels of the organisation to embed a culture of risk awareness and proactive risk thinking in daily operations.
- Schedule frequent risk assessments to identify and respond to emerging risks in a timely and effective manner.

- Strengthen risk monitoring by integrating risk, performance, and audit reporting to provide senior leadership with a comprehensive and cohesive view of organisational risk.
- Conduct a review of the current risk management software to ensure it meets the Council's operational needs and represents best value for money.
- Reinforce governance by clearly assigning risk ownership and ensuring accountability for the implementation of mitigation actions.
- Review and update the Risk and Opportunity Management Policy to reflect best practices and align with the ISO 31000 standard by April 2026.
- Evaluate and manage the grouping of relevant staff and their access permissions within the Council's ICT risk management system to ensure optimal availability and usability of the system.

Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	There are no new direct financial considerations in relation to risk management as a result of this report. By having robust risk registers in place which are regularly reviewed at the correct levels ensures that the Council will be better placed to mitigate against the following: • financial implications • reputational damage. Benefits arising from robust risk management are as follows: • health and wellbeing of members, officers, and members of the public. • informs business decisions. • enables a more effective use of resources. • enhances strategic and business planning; and strengthens contingency planning.
Legal	Risk Management is a part of the corporate governance framework. The proposed activity is consistent with and will promote the achievement of the Council's legal duty to achieve Best Value for Money.
Risk	Risk management positively impacts on all risks within the Council's risk registers. Providing this report to the Committee to assist it to fulfil its role, primarily positively impacts on the risk that the Council fails to achieve good governance.
Human Rights, Public Sector Equality Duty and	There are no direct implications from this report on human rights, equality and diversity.

Topic	Impact
Community Cohesion	
Reducing poverty	Strong risk management in the Local Authority will positively impact on work to reduce poverty.
Climate Change / Environmental	There are no direct implications from this report on climate change or the environment.
Children and Young People Cared for by the Authority and Care Leavers	Good risk management within Children's Services and Adult Social Care and Health Integration directorates will ensure that the correct level of support is given to Children, Young People and Care Leavers.
Data Protection	Risk management arrangements are a critical control in order to ensure compliance with data protection legislation in particular the availability of personal data to avoid personal data breaches and wider compliance with the relevant regulations.

Appendices

1	Appendix 1 – Strategic Risk Register

Background papers

Body	Report title	Date
Audit Committee	Risk Management: Bi-Annual Strategic Risk Register Review	20 February 2025
Audit Committee	Risk and Opportunities: Annual Assurance Report 2024	10 July 2024

Contact: Gary Welch, Strategic Risk and Health and Safety Manager
Email: gary_welch@middlesbrough.gov.uk