

Risk Management Strategy

Strategy & Resources Committee, Tuesday 30 January 2024

Report of: Head of Policy and Communications

Purpose: For decision

Publication status: Open

Wards affected: All

Executive summary:

As part of the management restructure in 2022, the policy function was reinstated and aligned with communications. Since then work has been ongoing to review and improve policy and governance work across the Council.

A key element of this work was a review of risk management, including an internal audit which reviewed whether risks within the organisation are identified, evaluated and managed efficiently and effectively.

The audit focused on the risk management strategy, as well as the corporate, committee and a sample of project risk registers.

The recommendations from the audit set out the need for a revised risk strategy, as well as other work to improve how risk is managed by the Council.

The revised strategy at Appendix A sets out a clear framework to support officers in managing risk consistently and effectively. Once approved, further work will take place to improve risk management processes, documentation and reporting.

This report supports the Council's priority of: Building a better Council

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Recommendation to committee:

That the proposed Risk Management Strategy at Appendix A is approved.

Reason for recommendation:

Risk management is a key part of corporate governance and it is essential the Council has a consistent approach to managing risk. A robust risk management framework supports the delivery of the Council's strategic and operational objectives.

A risk strategy helps limit the likelihood and impact of anything which has the potential to influence the achievement of the corporate priorities. Following this approach enables the Council to consistently manage risk in accordance with good practice and embed risk management within strategic priorities, business planning, budgeting and reporting processes.

This will help prevent harm, either financial or reputational to the Council, its residents, officers, management, staff and stakeholders, as well as reduce the cost of risk.

The Strategy and Resources Committee has responsibility for approving the Risk Management Strategy.

Introduction and background

1. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. It ensures the continued financial and wellbeing of the organisation.
2. While the Section 151 Officer has overall responsibility for the risk strategy, the Policy and Communications Team oversees the strategy and risk process. All senior officers must take responsibility for risk management and ensure there are regular reviews of risk.
3. The Strategy & Resources Committee is responsible for reviewing and approving the Risk Management Strategy.
4. The current Risk Management Strategy was approved by the Strategy and Resources Committee in July 2021. High level risk training was provided for a small number of officers, but no regular or bespoke training was put in place to ensure corporate understanding of the Council's approach to managing risk.
5. As the strategy was not widely shared with staff responsible for risk, the key principles of the Council's agreed approach to risk have not been embedded in day to day working practices. This has led to an inconsistent approach to risk management, although risk has still been managed.
6. The existing strategy has not been reviewed since 2021, to reflect the changes made to structures and staffing with the arrival of the permanent Chief Executive, which means it includes out of date information and references.

Revised Risk Management Strategy

7. The new strategy at Appendix A provides a clear framework for managing risk which covers roles and responsibilities, the risk management process, risk appetite and tolerance levels, risk scoring methodology and monitoring and reporting arrangements.
8. It sets out how strategic, operational and project risks must be identified, assessed and documented consistently in line with the approved strategy. It details the controls in place to manage risk.
9. The new strategy uses a revised risk matrix, which will rate risk using a 5 by 5 scoring matrix, instead of the current 4 by 4 method.
10. The matrix will be used to assess the risk impact - how severely the Council would be affected if the risk happens and the likelihood - how likely it is the risk will occur and become an event which needs to be managed.
11. All risk registers and risk assessments will be updated to reflect the new matrix and include inherent and residual risk scores. Inherent risk is the risk as it exists currently, ignoring any controls in place to mitigate it. Once any measures are put in place to manage the risk, this is known as the residual risk.
12. Risk registers will include treat, tolerate, transfer, terminate categories to classify each risk. The cost of managing risks must be understood and proportionate to the risk being addressed. Resources need to be prioritised to higher level risks that need active management. More detail about these categories is set out in the strategy.
13. Departmental risk registers will be formally re-established and reported to, discussed and reviewed at monthly departmental leadership team meetings. Any escalating risks will be highlighted for discussion at Extended Management Team meetings. Following this they may be added to the policy committee or corporate risk registers.
14. Officers need to be aware of and understand the risk strategy and the risk framework, as well as how these apply to their own roles and responsibilities. Once the strategy is approved, regular training will be made available to all staff involved in risk management.
15. The strategy will be reviewed annually by the Extended Management Team and any significant changes reported to this committee. The Audit and Scrutiny Committee will monitor the effectiveness of implementation of the strategy.

Key implications

Comments of the Chief Finance Officer

It is important the Council has a robust risk management framework which identifies the key risks it faces, so actions can be taken to reduce the likelihood of occurrence and minimise the impact should they occur.

The Council has to provide assurance in its Annual Governance Statement that its corporate governance is fit for purpose. Risk management is one of the key principles underlying that assurance and must be specifically addressed in the Annual Governance Statement.

There are no direct revenue or capital implications from this report.

Comments of the Head of Legal Services

The Accounts and Audit Regulations 2015 place various requirements upon local authorities with regard to risk management. The Risk Management Strategy forms part of the overall framework of corporate governance that facilitates compliance with legislation and in particular the requirement in that a local authority has 'a sound system of internal control which includes effective arrangements for the management of risk.'

Management of risk is essential for the Council to mitigate the risk of legal challenge. The Risk Management Strategy provides an appropriate tool for the identification and management of risk.

Equality

This report contains no proposals that would disadvantage any particular minority groups.

Climate change

There are no significant environmental / sustainability implications associated with this report.

Appendices

- Appendix A - Draft Risk Management Strategy

Background papers

None.

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