

# Risk Management Strategy

## Strategy & Resources Committee Tuesday, 6 July 2021

Report of: Executive Head of Corporate Resources

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Purpose: For decision: To seek approval to adopt the Risk Management Strategy

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Publication status: Open

Wards affected: All

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### Executive summary:

- Appendix A contains a draft Risk Management Strategy ('the Strategy') for the Council. It is being brought to this Committee for adoption to enhance the Council's corporate governance, and risk management in particular.
- The Council embarked on a substantial, and multifaceted, corporate improvement journey on 28th November 2019, which led to the formation of a corporate improvement plan – influenced by its Annual Governance Statement - which included an action for the Council to adopt a new risk management strategy. Since, risk management workshops have been held with Officers and Members and the Council's processes and risk registers have been refined on an iterative basis.
- The Strategy should be viewed as a 'live' document, as the Council's approach to risk management is that of continual improvement. Therefore the Strategy will continue to be updated, as the new processes become embedded, feedback is received, and best practice guidance and other circumstance change.
- Although aspects of the Council's risk management processes will continue to be refined, it is essential for the Council to have a Strategy in place. A strategy can act as a source guidance for Officers and Members, provide a robust foundation for risk management, and aid decision-making.

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

**Contact officer** William Mace - Programme Management Officer

## **Recommendation to Committee:**

That a new Risk Management Strategy for the Council – as presented in draft in Appendix A – be adopted.

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## **Reason for recommendation:**

A risk management strategy forms a key pillar of corporate governance. Therefore, it is essential for the Council to adopt a risk management strategy – as identified in the previous Annual Governance Statement and Corporate Improvement Plan.

The adoption of the Strategy will:

- Provide the basis for a comprehensive, simplified and standardised framework which will integrate Risk Management into the culture of the Organisation;
- Raise awareness of the need for Risk Management by all those connected with the delivery of the Council's corporate priorities, including Partners;
- Support the Council in anticipating and responding to changes in social, environmental and legislative conditions;
- Help to minimise injury, damage, loss and inconvenience to residents, staff, service users and assets arising from or connected with the delivery of our services;
- Continually improve our procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice; and
- Support the Council in minimising the cost of risk.

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## **1. Introduction and background**

1.1. The Council embarked on a substantial, and multifaceted, corporate improvement journey on 28th November 2019, following an organisational restructure. As part of this work it was identified that the Council required a new up-to-date risk management strategy. This was noted in the March 2020 [Annual Governance Statement](#) (p. 18).

- 1.2. Over the last year risk management workshops have been held with Officers and Members. New processes have also been iteratively implemented as part of the committee performance and risk monitoring – undertaken by each policy committee. In addition, improved risk processes were agreed by the Executive Leadership Team in March 2021. Subsequently, these processes have been, and continue to be, implemented within each Directorate at the Council (i.e. Resources, Communities and Planning).
- 1.3. Although the new protocols are still being embedded, and further refinements are expected as this process continues, it is timely to bring a new Risk Management Strategy for adoption. The Strategy will solidify the Council's work to date, and will help guide future refinements to our approach and aid decision-making at the Council.

## **2. Risk Management Strategy**

- 2.1. The Risk Management Strategy proposed for adoption by this Committee is located at Appendix A.
- 2.2. Risk is defined as an uncertain event or set of events which may, should they occur, affect the Council's ability to achieve its' vision and objectives as set out in the [Strategic Plan](#).
- 2.3. This Strategy focuses on providing risk management principles, tools and techniques as part of our wider governance arrangements.
- 2.4. The purpose of risk management is not to eliminate risks completely, but to effectively manage the uncertainties that may apply in all areas of the Council's business.
- 2.5. The Strategy includes:
  - 2.5.1. An overview of the Council's approach to risk management and the processes that support it (Sections 2-4).
  - 2.5.2. A statement on the Council's risk appetite and tolerance positions (Section 5). These positions detail the level of risk that the Council aims and is willing to operate within respectively. The Strategy highlights that, given the context in which the Council currently finds itself, it is challenging to put forward precise appetite and tolerance positions. Yet it is helpful to have a formal document to present the latest assessments.
  - 2.5.3. Sections on where risk decisions can be made and how they are recorded (Section 6), and also the various roles and responsibilities those involved with risk management at the Council (Section 7).

- 2.5.4. A specific section on risk monitoring and reporting and the Council's 'three lines of defence' (Section 8).
- 2.5.5. A final section on the principle of 'continual improvement' that the Council subscribes to. This section builds on the earlier ones by emphasising that the risk processes and arrangements the Council has in place encourage continual feedback, review and revision. As a result, the Strategy attached at Appendix A is a 'live' document. The Strategy will be refined as the Council continues its journey of corporate improvement, and new processes evolve in-line with best practice and the Council's changing internal and external environment.
- 2.6. The formulation of the Strategy has been influenced by: externally-hosted risk management workshops for Officers and Members; Officer (including the Executive Leadership Team) feedback; Member feedback via the workshops, policy committees and Audit and Scrutiny Committee; the Government Finance Function's 'Orange Book' and Supplementary guidance on risk appetite;<sup>1</sup> and review of other Local Authorities' risk management strategies and policies.<sup>2</sup>
- 2.7. The Strategy will be formally reviewed on an annual basis by the Executive Leadership Team, and any substantial changes brought back to this Committee. Audit and Scrutiny committee will monitor the effectiveness of implementation of the Strategy.
- 2.8. Please note that the Strategy's design and presentation has been composed by the report author. Once the Strategy has been adopted, it will be submitted to the Council's communications team for a design review to ensure it aligns with the Council's 'house style'.

### 3. Key implications

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<sup>1</sup> See HM Government (2020) *The Orange Book: Management of Risk – Principles and Concepts*, Government Finance Function. Online available: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/866117/6.6266\\_HMT\\_Orange\\_Book\\_Update\\_v6\\_WEB.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866117/6.6266_HMT_Orange_Book_Update_v6_WEB.PDF) [Last accessed 14/06/2020]; HM Government (2020) *Risk Appetite: Guidance note*, Government Finance Function. Online available: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/866117/6.6266\\_HMT\\_Orange\\_Book\\_Update\\_v6\\_WEB.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866117/6.6266_HMT_Orange_Book_Update_v6_WEB.PDF) [Last accessed 14/06/2020].

<sup>2</sup> For example: MVDC (2021) *Risk Management Policy*, Mole Valley District Council. Online available: <https://www.molevalley.gov.uk/sites/default/files/inline-files/Risk%20Management%20Policy%20-%20interim%20review%20Feb%2021%20-%20accessible.pdf> [Last accessed 14/06/2020]; Sevenoaks (2017) *Risk Management Strategy*, Sevenoaks District Council. Online available: <https://cde.sevenoaks.gov.uk/documents/s32085/10%20Appendix%20A%20Revised%20Risk%20Management%20Strategy.pdf?J=1> [Last accessed 14/06/2021].

### **3.1. Comments of the Chief Finance Officer**

- 3.2. It is important that the Council has a robust risk management framework that identifies the key risks it faces so that actions can be taken to reduce the likelihood of occurrence and minimise the impact should they occur.
- 3.3. As a public body, 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.
- 3.4. The Risk Management Strategy will need to be updated at least annually. Under the Council's principle of "continual improvement", risk management will be continually improved through learning and experience.
- 3.5. There are no direct revenue or capital implications from this report.

### **4. Comments of the Head of Legal Services**

- 4.1. 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.'
- 4.2. Management of risk is essential of the Council to mitigate the risk of legal challenge. The Risk Management Strategy provides an appropriate tool for the identification and management of risk.

### **5. Other corporate implications**

- 5.1. The implications of this report pertain to corporate improvement work in the area of risk management and apply to all Council departments.

### **6. Equality**

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

## **7. Climate change**

7.1. There are no direct implications for the Council's climate change and sustainability objectives that arise from this report. Yet the risk management approach – as presented in Appendix A – will apply to the climate change workstream as with the Council's other business activities.

## **8. Appendices**

8.1. Appendix 'A' - Draft Risk Management Strategy

## **9. Background papers**

9.1. None.

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