Strategy and Resources Committee
14 November 2023

RISK MANAGEMENT STRATEGY REVIEW

Head of Service:	Andrew Bircher, Interim Director of Corporate Services
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Appendix 1 – Updated Risk Management Strategy

Summary

The annual review of the Risk Management Strategy has been conducted by officers. Attached at Appendix 1 is an updated Strategy. This version incorporates recommendations from our internal auditors (SIAP), and addresses points raised by council members and officers over the last year.

Recommendation (s)

The Committee is asked to:

(1) **Approve the revisions to the Risk Management Strategy as attached at Appendix 1.**

(2) **Agree to run a workshop with key councillors and officers to review: a) the council's risk appetite, and b) risk targets, and how these could be applied in practice.**

1   Reason for Recommendation

1.1   The Risk Management Strategy ("Strategy") is reviewed annually by officers, and non-administrative updates are brought to this committee for approval, in line with its terms of reference.

1.2   Revisions have been made and an updated Strategy is attached at Appendix 1. The revisions seek to address the recommendations raised by our internal auditors, the Southern Internal Audit Partnership (SIAP), and points raised by councillors and officers over the last year.

1.3 In addition, officers believe further consideration of a) how the council manages its risk appetite, and b) using risk targets, could strengthen risk management practice across the organisation. Therefore, the Committee is asked whether it would like officers to pursue these points, in consultation with key councillors, or whether it is content with current practice.

2 Background

2.1 An audit of risk management in 2021-2022 coincided with the expiry of the council's Strategy.[1] Consequently, a new Strategy was drafted in 2022,[2] and approved by this Committee in July of that year. Following this, the Audit and Scrutiny Committee commissioned a review of the newly approved Strategy to be conducted by the council's internal auditors (SIAP).[3]

2.2 The audit and position statement raised observations and added suggestions, and during the first year of the new Strategy further feedback has been received by councillors and officers. All feedback has been recorded by officers and assessed as part of this year's review of the Strategy. Key updates are noted below.

3 Information related to Recommendation 1: Summary of revisions made

3.1 The revisions made in Appendix 1 largely relate to clarifying different elements of the Strategy and improving its readability by adjusting its format. The revisions are as follows:

3.1.1 Separating the core of the strategy from those elements that provide guidance. This includes removing the previous Annex 6 – Continuous improvement, as it has become redundant as the Strategy has been in place for over a year and will be reviewed annually by officers.

3.1.2 Section 5: Added a paragraph explaining that high risks may be present, and that they may not be able to be lowered given the council's limited resources.

3.1.3 Section 7: Further information on how the Strategic Management Team, Corporate Management Team, Heads of Service and Project Boards review and escalate risks. This information is now also referenced in Section 4.

3.1.4 A new Section 8 has been added, which outlines how the council will deliver the Strategy. This includes incorporating the previous Annex 5 (Risk Management Culture) in this section.

3.1.5 Annex 1: Some minor changes have been made to the column descriptors in the risk register template, including the source of assurance for mitigations.

3.1.6 Annex 2: Further guidance added to financial impact guidance, and "environmental" and "health and safety" risk categories added.

3.1.7 Annex 4: Minor amendments made which signpost readers to the relevant persons/teams to approach for risk management training.

3.2 These recommendations address most of the feedback received on the current Strategy, since its approval last year. Two outstanding items for further consideration are outlined in the next section.

4 Information related to Recommendation 2: Consideration of risk appetite and risk targets

4.1 **Risk appetite:** at present, the council has a general risk appetite (see Section 5, page 9 in Appendix 1), which applies to all its activities. However, feedback on the Strategy suggests that the council could expand the breadth of its risk appetite, say by having different risk appetites for different groups of council activities.

4.2 For instance, if the council wishes to be more risk eager with revenue generating activities at its venues, a more eager risk appetite may be acceptable. Yet for macro-budget issues, the general cautious appetite would be appropriate, given the council's responsibility to safeguard public money and ensure that people who live, work and study in the Borough do not pick up the cost of failed council projects or mismanagement of funds.

4.3 The potential benefit of having more than one risk appetite, rather than one general appetite, could be that the council's appetite to risk is considered in more detail and better tailored towards specific business activities.

4.4 **Risk targets:** further consideration could also be given to introducing 'risk targets', i.e., a target risk score for each risk.

4.5 For example, the risk score for not submitting a report on time could be 8 (amber), which is acceptable. Yet a target risk of 3 (green) could be set, with the intention that the council will proactively seek to lower the existing score (8) to the target value (3), in order to further mitigate the risk to match the council's ambitions regarding timely report submissions.

4.6 The potential benefit of setting and working towards risk targets could be that by doing so, the council would be prompted to clearly set out the resources it is willing to deploy to treat a given risk, or whether tolerating it at its current level is acceptable.

4.7 **Possible next steps:** If the Committee is interested in pursuing these aspects of risk management in more detail, then further discussions outside of committee meetings would be beneficial. Therefore, officers could arrange a workshop with councillors to help guide discussions and capture the council's ambitions for risk management. Outcomes from the workshop would contribute to next year's review of the Strategy.

5   Risk Assessment

Legal or other duties

5.1   Equality Impact Assessment

5.1.1   There are no direct equality impacts arising from this report.

5.2   Crime & Disorder

5.2.1   There are no direct crime and disorder impacts arising from this report.

5.3   Safeguarding

5.3.1   There are no direct safeguarding implications arising from this report.

5.4   Dependencies

5.4.1   There are no significant dependencies connected to this report, although the council's approach to risk management does permeate all aspects of its governance, operations and strategic development.

5.5   Other

5.5.1   Not applicable.

6   Financial Implications

6.1   There are no direct financial implications. Any training and risk management develops put forward in this report are expected to be completed as part of business as usual activities.

6.2   **Section 151 Officer's comments**: None arising from the contents of this report.

7   Legal Implications

7.1   There are no direct legal implications arising from this report.

7.2   **Legal Officer's comments**: None arising from the contents of this report.

8   Policies, Plans & Partnerships

8.1   **Council's Key Priorities**: The following Key Priorities are engaged: Effective Council

8.2   **Service Plans**: The matter is included within the current Service Delivery Plan.

8.3   **Climate & Environmental Impact of recommendations**: There are no direct implications arising from this report.

8.4   **Sustainability Policy & Community Safety Implications**: There are no direct implications arising from this report.

8.5   **Partnerships**: Not applicable.

9   Background papers

9.1   The documents referred to in compiling this report are as follows:

Previous reports:

- [1] For the 2021-2022 audit of risk management see, EEBC (2022) Internal Audit Progress Report 2021-2022, 14th June, pp. 7-8. Online available: https://democracy.epsom-ewell.gov.uk/documents/s23874/Appendix%201%20Internal%20Audit%20Progress%20Report.pdf [last accessed 10/08/2023].

- [2] EEBC (2022) *Risk Management Strategy*, Strategy and Resources Committee, 26th July. Online available: https://democracy.epsom-ewell.gov.uk/documents/s24277/Appendix%201%20-%20Risk%20Management%20Strategy.pdf [10/08/2023].

- [3] For the SIAP position statement on the Risk Management Strategy see, EEBC (2022) *Internal Audit Progress Report 2022-2023 (November 2022)*, 17th November, pp. 8-9. Online available https://democracy.epsom-ewell.gov.uk/documents/s25119/Appendix%201%20-%20Internal%20Audit%20Progress%20Report%202022-2023%20November%202022.pdf [last accessed 10/08/2023].