

## **CABINET**

**19 NOVEMBER 2019**

### **RISK STRATEGY ANNUAL REVIEW**

Portfolio Holder: Councillor Rupert Turpin, Portfolio Holder for Business Management

Report from: Phil Watts, Chief Finance Officer and Chair of Strategic Risk Management Group

Author: Katey Durkin, Head of Finance Strategy

#### **Summary**

In accordance with the Council's Risk Management Strategy, this report presents the annual review of the Risk Strategy.

#### **1. Budget and Policy Framework**

- 1.1. Good corporate governance requires that local authorities identify all their significant strategic and operational risks, and put effective risk management and internal control systems in place.
- 1.2. In line with its terms of reference, the Audit Committee is responsible for providing independent assurance on the adequacy of the risk management framework and the associated control environment, including consideration of the Council's approach to risk management. The Committee considered the report at its meeting on 26 September 2019 and its comments are set out at section 4 of the report.
- 1.3. The Cabinet is responsible for ensuring the effective operation of risk management in the Council.
- 1.4. Given the overarching responsibilities of the Business Support Overview and Scrutiny Committee, the Committee was invited to consider the Risk Strategy Annual Review and its comments are set out in section 4 of the report.

#### **2. Background**

- 2.1. Risk management is a process which aims to help the Council understand, evaluate and take action on all their risks. It supports effective decision making, identification of priorities and objectives and increases the probability of success by making the most of opportunities and reducing the likelihood of failure.
- 2.2. Risk management is an integral part of good governance. The Council recognises that it has a responsibility to identify and manage the barriers to

achieve its strategic objectives and enhance the value of services it provides to the community. The Council's Risk Management Strategy:

- promotes a common understanding of risk;
- outlines roles and responsibilities across the Council; and
- proposes a methodology that identifies and manages risk in accordance with best practice thereby seeking to prevent injury, damage and loss.

### **3. Advice and analysis**

- 3.1. The Risk Management Strategy is reviewed annually to ensure that it remains up to date and continues to reflect the Council's approach to risk management. The Strategy is reviewed by the Strategic Risk Management Group, Corporate Management Team, Audit Committee and Business Support Overview and Scrutiny Committee before being approved by Cabinet.
- 3.2. The latest review of the Risk Management Strategy is shown in Appendix 1. This review brings the Risk Management Strategy in line with the International Standard in Risk Management (ISO 31000:2018(E)), which provides a common approach to managing any type of risk and can be applied to any activity and updates the format to be consistent with other Council strategies.
- 3.3. This review also incorporates into the Risk Management Strategy the increased frequency of reviewing the risk register as noted by the Cabinet on 11 June 2019. Increasing the frequency of reviews of the Strategic Risk Register to quarterly will enable risks to be reported alongside performance and budget monitoring and therefore support decision making.
- 3.4. The Risk Management Strategy sets out an objective method for analysing risks taking into consideration the likelihood of the risk occurring and the impact should the risk manifest. The Risk Management Strategy also states the Council's agreed tolerance level for risks. The risk analysis method is shown in Appendix 1 (Risk Management Strategy, page 6). This methodology, which has been in place for many years at the Council, remains in line with best practice guidance and is well known and understood by Members and Officers. As such this review does not propose any amendment to that methodology.
- 3.5. There are no further changes to the Risk Management Strategy and the process of risk management in the Council remains the same.

### **4. Consultation**

- 4.1. The Risk Strategy has been discussed with the Strategic Risk Management Group, Corporate Management Team, at Audit Committee and at Business Support Overview and Scrutiny Committee.
- 4.2. **Audit Committee – 26 September 2019**
  - 4.2.1. The Audit Committee met on 26 September 2019 to consider the annual review of the risk strategy and its comments are set out below:
  - 4.2.2. Members considered a report regarding the annual review of the Risk Strategy.

4.2.3. In response to whether the new Risk Strategy meant the Council's approach to risk was now more in line with that of other councils, the Head of Finance Strategy confirmed that was the case. The Council's involvement in a regional risk benchmarking group confirmed the Council was in line with best practice in terms of both the Risk Strategy and the contents of the strategic risk register. The risk register may in the future also include opportunities and was now reported alongside council plan performance reports. Regarding a suggestion that the Committee should also consider the strategic risk register, officers advised that the Committee's remit was to ensure the risk framework was in place and the management of risk was a matter for Cabinet, with the Business Support O&S Committee scrutinising the register. A Member expressed the view that managers should be encouraged to identify potential external risks that could impact on the Council.

4.3. The Committee agreed to note the revised Risk Management Strategy as setting out the Council's approach to risk management.

#### **4.4. Business Support Overview and Scrutiny Committee – 24 October 2019**

4.4.1. The Business Support Overview and Scrutiny Committee met on 24 October 2019 and considered the annual review of the strategy and its comments are set out below

4.4.2. Members considered a report regarding the annual review of the risk strategy.

4.4.3. A Member asked if partner organisations such as Gravesham Borough Council, Medway Norse and the Council's wholly owned companies followed the same methodology on risk. The Head of Finance Strategy confirmed that Gravesham Borough Council's risk strategy was very similar and would find out what approach was taken at Medway Norse and the companies.

4.4.4. A Member asked if organisations the Council commissioned services with were aware of the Council's risk register and also made the point that risk should be an issue for everyone in the Council. The Head of Finance Strategy advised that discussion had taken place with management teams across the Council to review service specific plans. The new intranet site offered an opportunity to deliver e-learning on issues such as risk but there was more the Council could do to raise awareness of the importance of risk. Where the Council commissioned services the procurement process ensured that a risk management framework was in place.

4.5. The Committee agreed to:

4.5.1. endorse the amendments proposed to the Risk Management Strategy, and;

4.5.2. note that the Risk Management Strategy and Corporate Risk Register will be submitted to Cabinet on 19 November 2019 for approval.

#### **5. Financial, legal and risk implications**

5.1. There are no direct financial or legal implications arising from the Corporate Risk

Strategy. The Strategy itself addresses the risk implications.

## **6. Recommendations**

6.1. The Cabinet is asked to:

6.2.1 consider and note the comments of the Audit Committee and the Business Support Overview and Scrutiny Committee set out at section 4 of the report;

6.2.2 approve the Risk Management Strategy and Corporate Risk Register, as set out at Appendix 1 to the report.

## **7. Suggested reasons for decisions**

7.1 The establishment of a corporate framework for risk management is recommended by CIPFA and SOLACE and will complement and support the work already being carried out within each directorate to manage risks.

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### **Appendices:**

Appendix 1 – Risk Management Strategy

### **Background papers:**

None