

## **CABINET**

**2 FEBRUARY 2021**

### **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.

The report was considered by the Audit Committee on 5 January 2021 and its comments are set out at section 5 of this report. The report is also due to be considered by the Business Support Overview and Scrutiny Committee on 28 January 2021 and its comments will be circulated to the Cabinet in an addendum report.

#### **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.
- 1.3. The Cabinet is responsible for ensuring the effective operation of risk management in the Council.
- 1.4. On 15 May 2019, Corporate Management Team (CMT) agreed to aligning corporate reporting so that all strategies are agreed at Cabinet in September with the plans to deliver them being agreed in February.
- 1.5. Due to Covid19 it was not possible to agree the 21/22 Risk Strategy in September 2020. Therefore, this report presents the 21/22 Risk Strategy.

1.6. Given the overarching responsibilities of the Business Support Overview and Scrutiny Committee, the Committee was invited to consider the Risk Strategy Annual Review. Its comments will be set out in an addendum report.

## 2. Background

2.1. Risk management is a process which aims to help the Council understand, evaluate, and act 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.
- 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 latest review of the Risk Management Strategy is shown in Appendix 1.

3.2. 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 evaluation method is shown in Appendix 1 (Risk Management Strategy, page 6). This methodology 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 and as such this review does not propose any amendment to that methodology.

## 4. Consultation

4.1. The Risk Strategy has been discussed with the Strategic Risk Management Group, Corporate Management Team and Audit Committee.

4.2. Following discussion at Business Strategy Overview and Scrutiny Committee, Members will be further consulted on the Strategy via this Cabinet meeting on 2 February 2021.

4.3. At the Strategic Risk Management Group meeting on 1 October 2020, the risk tolerance level was reviewed. It was agreed that the risk tolerance level will remain at CII (significant and major). No other changes were received.

## 5. Audit Committee – 5 January 2021

- 5.1. At its meeting on 5 January 2021, the Committee considered the report and made the following comments:
- 5.2. This report provided details of the Council's Risk Management Strategy which the Committee was required to review annually.
- 5.3. The Head of Finance Strategy advised the Committee of the internal review process for this Strategy.
- 5.4. Members then raised several questions and comments which included:
  - 5.4.1. **Service responsibility** – in response to a question, the Head of Finance Strategy confirmed that responsibility for the Strategy sat with the Chief Finance Officer.
  - 5.4.2. **Presentation** – in response to a question regarding some of the presentational aspects of the Strategy, the Head of Finance Strategy confirmed she would take steps to improve the presentation and accessibility of the document.
  - 5.4.3. **Risk matrix** – in response to a question as to how decisions had been made on the risk ratings within the risk matrix (page 12 of Supplementary Agenda No.1), the Head of Finance Strategy confirmed that this could be revisited next year and that there were many ways to develop a risk matrix. She undertook to ensure that Members would be involved in such discussions.
- 5.5. The Committee noted the 2021/22 Risk Management Strategy at Appendix 1 to the report as setting out the Council's approach to risk management.

## 6. Financial, legal and risk implications

- 6.1. There are no financial or legal implications arising from the review of the Strategic Risk Strategy. The Strategy itself addresses the risk implications.

## 7. Recommendations

- 7.1. The Cabinet is asked to consider the comments of the Audit Committee, as set out in section 5 of the report and the comments of the Business Support Overview and Scrutiny Committee, as set out in the Addendum Report.
- 7.2. The Cabinet is asked to approve the revised 21/22 Risk Management Strategy at Appendix 1 as setting out the Council's approach to Risk Management.

## 8. Suggested reasons for decisions

- 8.1. 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.

Lead officer contact:

Lesley Jones, Corporate Performance Lead ext. 2472 [lesley.jones@medway.gov.uk](mailto:lesley.jones@medway.gov.uk)

## Appendices

Appendix 1 Strategic Risk Strategy

## Background papers

None.