

TITLE	Risk Management Policy and Guidance
FOR CONSIDERATION BY	Audit Committee on 19 July 2023
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

Enterprise Risk Management (ERM) provides for robust and transparent decision-making. Effective ERM is therefore an integral part of the Council's governance arrangements and helps demonstrate the effective use of resources and sound internal controls. The Council's Risk Management Policy and Guidance sets out the policy framework and formal guidance to enable pro-active identification and management of risk.

RECOMMENDATION

To review, revise as necessary, and recommend adoption of the Risk Management Policy and Guidance to the Executive for approval.

SUMMARY OF REPORT

The Audit Committee's Terms of Reference include the responsibility to monitor the effective development and operation of risk management in the council. One of the ways the committee achieves this is to regularly review the Risk Management Policy and Guidance.

The Committee last reviewed the policy and guidance in July 2022.

The Risk Management Group and Corporate Leadership Team have reviewed the policy and guidance. The main changes to the policy and guidance are a result of a review against the Treasury's updated "Orange Book: Management of risk – Principles and Concepts (2023)". There is no dedicated risk management standard for local authorities. The Orange Book is aimed at the Civil Service, so the principles outlined within have been adapted for a local authority situation.

The review has not established any fundamental weaknesses in the policy or guidance and changes relate to increased clarity and codifying existing best practices. The review picks up suggestions by the Audit Committee made in the past year.

The guidance now references other important elements of risk management: Council's procurement, emergency planning and health and safety. They place an enhanced emphasis on leadership and culture. The need for collaboration, both internal and externally, when considering risk is also strengthened by the changes.

The changes to the Risk Management Policy are focused on enhancing the clarity on roles and responsibilities. Changes have been suggested to the Chief Executive, Directors, Risk Management Group and Risk Management Facilitator roles. These improve and clarify the existing roles and responsibilities.

Key changes to the risk management guidance are mirroring the improved link with emergency planning and business continuity. The guidance has provided further elaboration on the strategic approach to risk management linking it with other management activity and broadening risk identification. These changes seek to broaden the process. Likewise, the collaborative nature of risk assessment is enhanced. Further changes throughout the guidance address areas that have been queried throughout the year by the Committee and Officers to improve clarity including around aligning actual and target risks, and the role of mitigating actions. Finally, the guidance provides information for Executive and the Corporate Leadership Team (CLT) on assessing the aggregate level of risk faced by the Council.

Background

The Audit Committee's terms of reference include monitoring the effective development and operation of risk management in the council. The Risk Management Policy and Guidance set out the Council's overall approach to risk management. The effective implementation of the Policy and Guidance supports the Council in managing its risks and ensuring the achievement of its strategic objectives.

The Risk Management Policy sets out the Council approach to risk management. It outlines the scope and principles of risk management applied by the Council. The Policy sets out the roles and responsibilities in respect of risk management.

The Risk Management Guidance is the operational guidance for the Council's management of risk. This Guidance details the benefits of risk management, the critical success factors, relationship with other stakeholders and the risk management process. Finally, the Guidance sets out the Council's overall approach to risk appetite.

Analysis of Issues

The main changes to the Policy and Guidance are a result of a review against the Treasury's updated "Orange Book: Management of risk – Principles and Concepts (2023)". There is no dedicated risk management standard for local authorities. The Orange Book is aimed at the Civil Service, so the principles outlined within have been adapted for a local authority environment.

The changes to the Risk Management Policy are:

- The language used to describe the roles and responsibilities of the Chief Executive have now been simplified to improve clarity and consistency with other roles and responsibilities.
- The practice of the Chief Executive in providing leadership around both governance and culture necessary to support effective risk management has now been codified in the policy. (5.3, p6). The importance of culture to promote risk management has been reflected in the roles and responsibilities of Executive Members (5.9, p8)
- The responsibility for risk facilitation has been changed from the Assistant Director of Governance to the Governance and Risk Manager (5.5, p6). This better reflects their roles and provides greater objectivity to the Assistant Director of Governance in their role as Monitoring Officer.
- The officer Risk Management Group is required to liaise with emergency planning and health & safety enacted by Officers with those responsibilities attending RMG. (5.13, p9)
- Business Continuity Planning is a responsibility of Assistant Directors. (5.7, p7)

The changes to the risk management guidance are more extensive. The main changes are:

- In consultation with the Emergency Planning Team the section on Risk Management, Business Continuity and Emergency Planning have been re-written to reflect their roles. (8.1-8.5, p5)
- The guidance has provided further elaboration on the strategic approach to risk management. This makes explicit areas where strategic risks are likely to

materialise during management activities, (10.2, p6). Providing managers with examples of activities where risks are likely to originate i.e. strategic planning, option appraisal, service redesign etc. This follows the Orange Book definitions.

- This is also emphasised in revisions to Stage 1 – Risk Identification (p7). For example, highlighting different sources of risk such as limitations on knowledge or unreliable information.
- Emphasis is added that the risk management process is a cycle and therefore iterative. (p6)
- The collaborative nature of risk assessment is made explicit. (p10) This is suggested by the Orange Book and enacts critical success factors 4 and 7.
- Clarity on the symbols used in the risk register are included (p10/12) to address queries received during the year. For example, the difference between the target risk symbol and actual risk symbols contained on the risk register.
- Additional advice has been including around actions managers can take to manage risk when it is above its target risk (p12), de-escalation (p13), and how mitigating actions should reduce risk (p12).
- Executive, supported by CLT, are responsible for agreeing the total amount of risk that is acceptable to the Council. The guidance has been enhanced to provide advice on the process to reduce the overall amount of risk the Council faces. (p14)

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces unprecedented financial pressures as a result of; the longer term impact of the COVID-19 crisis, Brexit, the war in Ukraine and the general economic climate of rising prices and the increasing cost of debt. It is therefore imperative that Council resources are optimised and are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£0	Yes	Revenue
Next Financial Year (Year 2)	£0	Yes	Revenue
Following Financial Year (Year 3)	£0	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

Whilst there are no direct financial implications, the discipline of risk management mitigates financial risks and can also promote innovation in support of strategic objectives and service delivery; opening the door to the possibility of taking risks to achieve positive outcomes.

Cross-Council Implications
Risk management influences all areas of the Council – effective risk management is one of the ways assurance is provided that the Council’s key priorities and objectives will be achieved.

Public Sector Equality Duty
Due regard to the Public Sector Equality Duty has been taken in the completion of the review of the Risk Management Policy and Guidance.

Climate Emergency – <i>This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030</i>
Risk management is an important tool to support the Council in achieving this priority.

Reasons for considering the report in Part 2
Not applicable.

List of Background Papers
CIPFA/SOLACE Delivering Good Governance in Local Government Framework HMT Orange Book: Management of Risk – Concepts and Principles

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