

TITLE	Risk Management Policy and Guidance
FOR CONSIDERATION BY	The Executive on Thursday, 28 September 2023
WARD	(All Wards);
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance – Imogen Shepherd-DuBey

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

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

Executive approves the Risk Management Policy and Guidance noting the comments made by Audit Committee on the 19 July.

EXECUTIVE SUMMARY

The Risk Management Policy and Guidance provides the policy framework for the management of risk in the Council. The Policy outlines the scope, principles and roles and responsibilities for risk management in the Council. The Risk Management Guidance provides detailed guidance on implementing the Risk Management Policy. Both documents have been updated following their annual review to reflect learning during the year and developments in risk management theory.

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 incorporates and responds to comments made by the Audit Committee at its meeting on the 19 July 2023.

Changes have been tracked since the previous versions approved by Executive in September 2022. The significant themes of the changes are:

- Greater emphasis on collaborative nature of risk management
- Explicit Integration with other related disciplines (business continuity, health and safety and Procurement)
- Changes to improve clarity and consistency.

BACKGROUND

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.

BUSINESS CASE

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)
- The Audit Committee suggested that the RMG is provided with feedback from the Audit Committee (5.13, p9)
- Business Continuity Planning is a responsibility of Assistant Directors. (5.7, p7)
- The Audit Committee identified the need for roles and responsibilities to include challenge in the process. (5.4 p6, 5.12 p8 and 5.13 p9)

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)
- Audit Committee suggested the inclusion of Reputation as a risk category. (Appendix 2, p19)
- Audit Committee suggested that the focus on residents be increased in (Appendix 3, p20)
- Audit Committee suggested the key role that the Constitution plays in mitigating a range of risks: ethical, partnership, financial and fraud are detailed (7.3, p4)

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)	Nil	Yes	Nil
Next Financial Year (Year 2)	Nil	Yes	Nil

Following Financial Year (Year 3)	Nil	Yes	Nil
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Other Financial Information
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.

Legal Implications arising from the Recommendation(s)
Legal identified no issues.

Stakeholder Considerations and Consultation
Consultation with Audit Committee

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. The Policy and Guidance themselves comply with accessibility standards.

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 Closed Session
N/A

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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