



<b>Signed off by</b>	Head of Corporate Policy, Projects and Performance
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<b>To</b>	Executive
<b>Date</b>	Thursday, 23 March 2023
<b>Executive Member</b>	Portfolio Holder for Corporate Policy and Resources

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Risk management strategy - 2023/24 to -2025/26
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<b>Recommendations</b>
<p><b>That the Executive:</b></p> <ul style="list-style-type: none"> <li>(i) <b>Endorse the updated Risk Management Strategy (2023/24-2025/26)</b></li> <li>(ii) <b>Recommend that Council approve the updated Risk Management Strategy (2023/24-2025/26).</b></li> </ul>
<b>Reasons for Recommendations</b>
For the Council to have arrangements in place for the effective management of risk.
<b>Executive Summary</b>
In accordance with its schedule of regular review, the Council's Risk Management Strategy has been updated. The Strategy sets out the Council's commitment to effective risk management as a core component of effective corporate governance and organisational performance.
<b>The Executive has the authority to approve the above recommendation.</b>

<b>Statutory Powers</b>
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1. The Council holds various statutory responsibilities for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, accounted for, and is used economically and effectively.
2. This statutory framework includes the Local Government Accounts and Audit Regulations (2015) which require local authorities to have 'a sound system of internal control which ... includes effective arrangements for the management of risk'.
3. The Council also has a duty under the Local Government Act (1999) to put in place proper arrangements for the governance of its affairs. The fulfilment of this responsibility includes arrangements for managing risk. The Council's Code of Corporate Governance outlines these core governance principles, compliance with the code is reported each year via the Annual Governance Statement.

## **Background**

4. The Council maintains a Risk Management Strategy. The Strategy sets out the Council's overarching approach to risk management and articulates how the Council identifies, assesses, manages and reports on the risks that it faces in delivering its objectives.
5. The Risk Management Strategy helps ensure the centrality of risk management to all organisational activities and decision-making, whilst also helping to foster a positive and mature risk culture.
6. The Strategy undergoes regular review (at least every three years, or more frequently if required).
7. The Council's Constitution states that it is the overall responsibility of Full Council to approve the Risk Management Strategy.
8. As risks may affect the Council's objectives, the Constitution also states that the Leader and the Executive has overall responsibility for ensuring that the Council effectively manages risks, including through the operation of an effective risk management strategy.
9. The Audit Committee's constitutional responsibilities require it to provide independent assurance of the adequacy of the Council's risk management arrangements and internal control environment.

## **Key Information**

### **Risk management**

10. Risk is defined as 'the effect of uncertainty on objectives'. Risk management refers to the set of coordinated activities that manage and reduce risk and exercise internal control within an organisation.
11. The Council recognises that risk management is of fundamental importance to effective corporate governance, leadership as well as the direction, control and management of the organisation.
12. In adopting this updated Strategy, the Council is reiterating its commitment to ensuring that risk is appropriately considered in all aspects of informed decision making.

## **The updated Strategy**

13. The Strategy – available at annex 1 – has undergone a thorough review and update to ensure its effectiveness and appropriateness in the context of the Council’s risk profile.
14. It now includes a defined risk appetite for the Council, as well as a new process to compile an assurance framework which sets out all risks the Council faces as well as the corresponding controls. Its purpose is to focus corporate risk registers on risks of concern whilst simultaneously creating a comprehensive record of all risks faced, therefore heightening risk awareness and strengthening the control environment.
15. The Strategy is complemented by a risk management methodology which sets out in a greater detail the operational processes followed at Reigate and Banstead. The methodology is available for members’ information annex 3.

## **Risk appetite**

16. The Council has worked with Zurich Resilience Solutions to define its risk appetite.
17. According to Zurich:

*A risk appetite statement clarifies an organisation’s approach to striking the right balance between risk and reward... Defining risk appetite is not to establish which risk profile we wish to adopt, but rather the amount of risk we are willing to accept in the pursuit of the strategic objectives and make clear what balance we are seeking between risk and reward.*

18. Introducing a risk appetite statement can assist members and officers:
  - Firstly, when considering the best response to risks to corporate objectives, as set out in the strategic risk register; and
  - Secondly, when making specific key decisions and considering the risk implications of accepting or rejecting a course of action
19. Workshops were held with the Audit Committee, Executive and the Senior Management team to inform the formulation of the Council’s risk appetite. The Audit Committee were also consulted on the scope of the proposed update in an informal briefing, and subsequently formally considered the proposed revisions to the Strategy (see below).

## **Zurich’s opinion**

20. Zurich has also acted as a ‘critical friend’ in the development of the Strategy and has confirmed that:

*The process has resulted in a comprehensive and well worked strategy document. Structures and processes both evidence a risk management programme with clear definitions of roles and responsibilities. This is supported by the risk methodology which shows a good understanding of risk management practices and application.*

*The reviewed documents leave an impression of a well developed risk management strategy and methodology, which now includes a defined risk appetite statement and instructions for how to apply this risk appetite in the wider risk management process. This approach is comparable to what is*

*present throughout the sector and conforms to guidelines such as “The Orange Book”.*

21. Zurich’s full opinion is available at annex 2.

### **Audit Committee feedback**

22. The Strategy was considered by the Audit Committee on 7 December 2022. The Committee observed that, overall, the Strategy was a good document, and made no formal recommendations to the Executive (though comments made were captured in the minutes of the meeting and, where appropriate, have been reflected in the annexes of this report).

23. Following the Audit Committee’s consideration of the Strategy, further engagement has been undertaken with Executive members to inform the final versions of the documents presented here.

### **Options**

24. The Executive has two options:

- Option 1: endorse the updated risk management strategy and recommend that Council approve it at its meeting on 30 March 2023. This is the recommended option as it will ensure that the Council has adequate arrangements in place for the management of risk ahead of the new financial year.
- Option 2: do not endorse the updated strategy and do not recommend that Council approve it at its meeting on 30 March 2023. This is not the recommended option as it will delay the implementation of the strategy for the new financial year and represent a missed opportunity to introduce further process improvements outlined in the main body of this report.

### **Legal Implications**

25. There are no legal implications arising from this report.

### **Financial Implications**

26. There are no financial implications arising from this report.

### **Equalities Implications**

27. There are no equalities implications arising from this report.

### **Communication Implications**

28. There are no communication implications arising from this report.

### **Environmental Sustainability Implications**

29. There are no environmental sustainability implications arising from this report.

### **Risk Management Considerations**

30. There are no additional risk management considerations arising from this report. The revised risk management strategy will ensure that the Council's approach to risk and risk management remains robust.

### **Other Implications**

31. There are no other implications arising from this report.

### **Consultation**

32. There are no consultation implications arising from this report.

### **Policy Framework**

33. The risk management strategy supports the Council's wider policy framework through supporting the identification and management of risks that threaten the delivery of policy objectives.

### **Background Papers**

1. Reigate & Banstead Borough Council: risk management methodology – 2023/24–2025/26. Available at annex 3.