



<b>SIGNED OFF BY</b>	Head of Corporate Policy and Interim Head of Finance
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<b>TO</b>	Audit Committee
<b>DATE</b>	Thursday, 26 November 2020
<b>EXECUTIVE MEMBER</b>	Portfolio Holder for Corporate Direction and Governance

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Risk management - Q2 2020/21
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<b>RECOMMENDATIONS</b>
<p>(i) That the Audit Committee note the Q2 update on risk management provided by the report and associated annexes and make any observations to the Executive.</p> <p>(ii) That the Audit Committee note the newly identified strategic risk detailed in the report and in annex 3 and make any observations to the Executive.</p>
<b>REASONS FOR RECOMMENDATIONS</b>
The Audit Committee's constitutional responsibilities require it to receive regular updated on risk management.
<b>EXECUTIVE SUMMARY</b>
This report provides an update on risk management in Q2 of 2020/21. Additional detail is provided in the report as well as the associated annexes.
<b>The Committee has the authority to approve the above recommendations</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. The Council also has a duty under the Local Government Act (1999) to put in place proper arrangements for the governance of its affairs.
3. The discharge of this responsibility includes arrangements for managing risk.
4. 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.
5. The Audit Committee has constitutional responsibilities in the area of risk management, including to:
  - Consider the effectiveness of the authority's risk management arrangements, the control framework and seek assurance that action is being taken to mitigate those risks identified; and,
  - Monitor the effective development and operation of risk management in the Council.

## **BACKGROUND**

6. Reigate and Banstead Borough Council has a proactive approach to risk management. It is an integral part of the Council's corporate governance arrangements and is built into management processes.
7. The Council operates a two-tiered risk management process to address the dynamic and interdependent nature of risk categorisation. The risk categories are strategic and operational risks.
8. Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and Medium Term Financial Plan (MTFP).
9. Members of the Management Team and Executive Members have shared responsibility for strategic risks. It is the responsibility of the Executive to formally endorse and new risks for inclusion on the strategic risk register.
10. Operational risks are risks that are encountered in the course of the day to day delivery of services. However, if an operational risk cannot be fully managed within the service or it has a wider organisational impact then it will be considered for inclusion in the operational risk register by the Council's Corporate Governance Group. Heads of Service have responsibility for operational risks.
11. The Audit Committee received the strategic risks for 2020/21 at its meeting on July 16 2020.

## **KEY INFORMATION**

### **Risk management reporting**

12. The Council's risk registers have been updated at the end of Q2, alongside Directors and Heads of Service.

13. The full risk registers are made available to all members via the ModernGov document library. Risk registers from previous years are available on the eMembers portal.
14. Each quarter the Audit Committee receives an update on risk management. As per the Council's risk management methodology this report provides an update on all strategic risks as well as any red rated operational risks.
15. The update includes the current risk rating, the direction of travel of the risk (with reference to its score) as well as a summary of the key updates in the quarter.
16. Following the Audit Committee this report will be considered by the Executive.

### **Risk ratings**

17. The Council's risk management strategy and methodology utilises the following risk ratings:

<b>Rating</b>	<b>Action</b>
Red	Where management should focus attention. Immediate actions should be identified and plans put in place to reduce risk as a priority.
Amber	Where management should ensure that contingency plans are in place. These may require immediate action and will require monitoring for any changes in the risk or controls. These will be a key area of assurance focus.
Yellow	These should have basic mechanisms in place as part of the normal course of management.
Green	Where risk is minimal and does not demand specific attention but should be kept under review.

### **Q2 2020/21 risk management update**

18. An update on the Council's strategic risks for 2020/21 is provided in annex 1.
19. In Q2 there was one red rated operational risk, the detail of which is set out in the exempt annex 2.
20. In Q2 one new strategic risk was identified, the detail of which is provided in annex 3.
21. No strategic risks were identified for closure in Q2.

### **OPTIONS**

22. The Committee has two options:

23. Option 1: note this report and associated annexes and make no observations to the Executive.
24. Option 2: note this report and associated annexes and make any observations to the Executive.

#### **LEGAL IMPLICATIONS**

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

#### **FINANCIAL IMPLICATIONS**

26. Financial risks are taken into account when preparing the Medium Term Financial Plan, Capital Investment Strategy, Revenue Budget and Capital Programme each year.
27. There are no additional financial implications arising from this report.

#### **EQUALITIES IMPLICATIONS**

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

#### **COMMUNICATION IMPLICATIONS**

29. There are no communications implications arising from this report.

#### **RISK MANAGEMENT CONSIDERATIONS**

30. The Council's risk registers inform the development of the annual risk based internal audit plan.
31. The Council's approach to managing risk is a core component of the Code of Corporate Governance.

#### **OTHER IMPLICATIONS**

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

#### **CONSULTATION**

33. The contents of this report have been considered by the Council's Corporate Governance Group.

#### **POLICY FRAMEWORK**

34. The Council's risk management strategy and methodology provides additional information on how the Council manages risk.

#### **BACKGROUND PAPERS**

None.