

<b>SIGNED OFF BY</b>	Head of Corporate Policy
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<b>TO</b>	Audit Committee Executive
<b>DATE</b>	Audit Committee: Tuesday, 28 September Executive: Thursday, 16 September 2021
<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 - Q1 2021/22
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<b>RECOMMENDATIONS</b>
<p><b>That the Audit Committee:</b></p> <ul style="list-style-type: none"> <li>(i) <b>Note the Q1 update on risk management provided by the report and associated annexes.</b></li> <li>(ii) <b>Note the recommended closure of the strategic risk on ‘Reform of the planning system’ (SR11) as detailed in the report and in Annex 4.</b></li> <li>(iii) <b>Note the recommended opening of a new strategic risk on ‘Planning system reform’ as detailed in Annex 5.</b></li> </ul> <p><b>That the Executive:</b></p>

- (i) **Note the Q1 update on risk management provided by the report and associated annexes.**
- (ii) **Approve the closure of the strategic risk on ‘Reform of the planning system’ (SR11) as detailed in the report and in Annex 4.**
- (iii) **Approve the opening of a new strategic risk on ‘Planning system reform’ as detailed in Annex 5.**

## **REASONS FOR RECOMMENDATIONS**

The Audit Committee and Executive’s constitutional responsibilities require the regular receipt of updates on risk management.

## **EXECUTIVE SUMMARY**

This report provides an update on risk management in Q1 of 2021/22. Additional detail is provided in the report as well as the supporting associated annexes.

**The Audit Committee and Executive have the authority to approve their respective recommendations.**

## **STATUTORY POWERS**

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.

## **BACKGROUND**

5. Reigate & 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.
6. 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.
7. Strategic risks are defined as those risks that have an impact on the medium- and long-term ambitions and priorities of the Council as set out in the Corporate Plan and Medium-Term Financial Plan (MTFP).

8. Members of the Management Team and Executive Members have shared responsibility for strategic risks. It is the responsibility of the Executive to formally endorse any new risks for inclusion on the strategic risk register.
9. The Audit Committee has a constitutional responsibility to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Reigate and Banstead Borough Council's governance, risk management and control frameworks. A key component of fulfilling this responsibility is to regularly receive and review the Council's risks.
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.

## KEY INFORMATION

### Risk management reporting

11. The Council's risk registers have been updated at the end of Q1 2021/22, working alongside Directors and Heads of Service.
12. 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.
13. Each quarter the Audit Committee and Executive 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.
14. The update – available in Annex 1 – includes the current risk rating, the direction of risk travel for the risk (with reference to its score) as well as a summary of the key updates in the quarter.

### Risk ratings

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

Rating	Action
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.

**Q1 2021/22 risk management update**

- 16. An update on the Council’s strategic risks for Q1 2021/22 is provided in Annex 1.
- 17. In Q1 there were two RED rated operational risks, the details of which are set out in the part 2 exempt Annex 2, and Annex 3.
- 18. In Q1 one strategic risk was identified for closure (SR11 – Reform of the Planning System). This risk is recommended for closure as the government’s plan to reduce the threshold for the provision of affordable homes has now been dropped, which changes the implications of this risk. Additional information is available at Annex 4.
- 19. In Q1 one new strategic risk was identified. This risk covers the latest proposed changes to the planning system and therefore supersedes the risk recommended for closure. Additional information is available in Annex 5.

**Audit Committee – 28 September 2021**

- 20. This report will be considered by the Executive in advance of the Audit Committee’s meeting on 28 September 2021.
- 21. It is usual practice for the Audit Committee to receive the risk management report in advance of the Executive. Due to limitations on the scheduling of meetings, this has not been possible in Q1 2021/22 reporting. Any observations made by the Audit Committee will be reported to the relevant portfolio holder and, if necessary, to the next meeting of the Executive.

**OPTIONS**

- 22. The Audit Committee has two options:
- 23. Option 1: Note this report and the associated annexes and make no observations to the Executive.
- 24. Option 2: Note this report and the associated annexes and make any observations to the Executive.
- 25. The Executive has two options:
- 26. Option 1: Note this report and endorse the closure of the strategic risk on ‘Reform of the Planning System’ (SR11) and the opening of the new strategic risk on ‘Planning system reform’. This is the recommended option.
- 27. Option 2: Note this report and not endorse the closure of the strategic risk on ‘Reform of the Planning System’ (SR11) and the opening of the strategic risk on ‘Planning system reform’.

**LEGAL IMPLICATIONS**

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

### **FINANCIAL IMPLICATIONS**

29. Financial risks are considered when preparing the Medium-Term Financial Plan, Capital Investment Strategy, Revenue Budget, and Capital Programme each year.

30. There are no additional financial implications arising from this report

### **EQUALITIES IMPLICATIONS**

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

### **COMMUNICATION IMPLICATIONS**

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

### **RISK MANAGEMENT CONSIDERATIONS**

33. The Council's risk registers inform the development of the annual risk based internal audit plan.

34. The Council's approach to managing risk is core component of the Code of Corporate Governance.

### **OTHER IMPLICATIONS**

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

### **CONSULTATION**

36. The contents of this report and the associated annexes have been considered by the Council's Corporate Governance Group.

### **POLICY FRAMEWORK**

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

### **BACKGROUND PAPERS**

None