
Subject:	RISK MANAGEMENT STRATEGY
Meeting and Date:	Governance Committee – 7 December 2023 Cabinet – 15 January 2024 Council – 31 January 2024
Report of:	Head of Corporate Services & Democracy
Portfolio Holder:	Councillor S H Beer, Portfolio Holder for Finance, Governance, Climate Change and Environment
Decision Type:	Non-Key
Classification:	UNRESTRICTED

Purpose of the report: To seek agreement to the proposed new Risk Management Strategy.

Recommendation:

Governance Committee: *To recommend to Council that the new Risk Management Strategy and accompanying tool kit be adopted.*

Cabinet: *To recommend to Council that the new Risk Management Strategy and accompanying tool kit be adopted.*

Council: *That the Council adopt the new Risk Management Strategy and accompanying tool kit.*
That the Risk Management Strategy be incorporated into the Local Code of Corporate Governance.

1. Summary

1.1 The Council's Corporate Risk Strategy and the Risk Register have not undergone a detailed review since 2016/17. In August 2022, the opportunity arose for the Council to have Zurich Resilience Solutions (ZRS) undertake a Risk Management Desktop Review of the Council's Corporate Risk Strategy and Risk Register and this work identified several areas for review in the current adopted Risk Management Framework. The revised Risk Management Strategy seeks to address those concerns.

2. Introduction and Background

2.1 The ZRS Desktop Review concluded that the existing Corporate Risk Management Strategy, while containing the key elements that they expected to see, had a number of areas for improvement. These were in summary that:

- It lacked depth and definition.
- That it needed review after five years.
- There were inconsistencies in vocabulary.
- There were questions over the suitability of the three-point scale risk matrix in the existing strategy. The report recommended that moving to a four-point scale

would allow for greater distinction and clearer prioritisation of risks. In a subsequent meeting with ZRS following production of the Desktop Review it was suggested that the Council should consider at least a four-point scale. The benefits of a five-point scale were discussed.

- In respect of the Risk Register, the review highlighted concerns that there was an inconsistent risk score across the inherent and residual assessments which made it difficult to assess the direction of travel for a risk.
- That risk descriptions were inconsistent, and the lack of a defined structure limited how useful the information was. It was suggested that the Council adopt a defined structure to assist risk owners in properly defining risks.

2.2 The Desktop Review made the following recommendations:

- That consideration be given to replacing the three-point risk matrix to allow for better distinction between risk levels.
- That enhanced descriptions be developed for the Risk Methodology segment to make the process clearer and define how each step is conducted and by whom.
- Provide further clarity on how and when risk identification exercises or discussions should be conducted.
- Define and communicate what information must be included in risk descriptions. It would improve clarity of the risk itself as well as what was at risk if the risk category or related objective was listed.
- Consider integrating risk management in the performance management framework to better integrate risk thinking and principles.
- That climate change had not been adequately addressed in the current Risk Register.

2.3 In light of these comments, colleagues in the Kent Risk Network were consulted on their models of corporate risk management and examples of best practice elsewhere were sought.

2.4 Additionally, as part of the process of review, the East Kent Audit Partnership were asked to provide feedback on the initial draft of the Strategy and these comments were integrated into the final document.

Intended Audience for the Risk Management Strategy

2.5 The Risk Management Strategy will form part of the Council's overall Local Code of Corporate Governance.

2.6 The document is predominantly for internal use by officers to report risks to Corporate Management Team and Members. As such it is acknowledged that it is written as a technical document and were it to be a document intended to be used by the public then it would be written differently. However, the emphasis has been on producing a thorough and robust document that will assist officers in capturing, describing and (where practicable and possible) mitigating risks. Additionally, officers will have access to the Corporate Services team to assist them if required with completing the risk assessment. However, it is not envisaged to be an onerous process but rather a rigorous one providing challenge where it is necessary to do so.

2.7 It should be noted that testing on the accessibility for the proposed new Risk Management Strategy has found that it is an improvement when compared to the current version of the Risk Management Strategy.

2.8 However, it is recognised that the public should be able to see the risks facing the Council in an accessible way and this will be done through a redesigned Risk Register that will include an ‘at-a-glance’ style summary sheet.

Proposed Changes in the Risk Management Strategy

2.9 The key differences between the current Risk Management Strategy and the proposed Risk Management Strategy are as follows:

Current	Proposed
Three Point Risk Matrix (3 x 3)	Five Point Risk Matrix (5 x 5)
Inconsistencies in vocabulary	Definitions of Terms Used
Five Stage Risk Management Process <ul style="list-style-type: none"> • Identification • Analysis • Evaluation • Mitigation and Control • Monitoring 	Six Stage Risk Management Process <ul style="list-style-type: none"> • Establish Objectives • Identify Risks • Analyse & Evaluate • Mitigate and Manage • Record and Report • Monitor and Update
Impact Categories (10) <ul style="list-style-type: none"> • Communication and publicity • Corporate governance • Efficiency and savings • Financial/fundings • Health and safety • IT • Project aims • Personnel resourcing • Service delivery • Statutory responsibilities 	Impact Categories (8) <ul style="list-style-type: none"> • Environmental • Financial • Health and Safety • Legal & Regulatory • Partner Relationship • Reputational • Service Delivery • Community Impact
High, Medium and Low Risk Score	Numerical 1 – 25 Risk Score
Quarterly Reporting of Risk Register to CMT	Quarterly Reporting of Risk Register to Corporate Management Team (CMT) Monthly (or other timeframe agreed by CMT) for red risk scores
Annual Report to Governance Committee Quarterly Performance Report	Annual Report to Governance Committee Quarterly reporting to Governance Committee on changes to Risk Register for previous quarter Key risks in Quarterly Performance Report

2.10 The Risk Management Strategy once adopted will form part of the Corporate Governance Local Code.

2.11 The proposed Risk Management Strategy is accompanied by a toolkit that takes the risk owner through the steps needed to complete the Risk Register and provides an example of a risk for reference.

3. Rollout of New Corporate Risk Management Strategy

3.1 Once the necessary governance decision route has been completed, Corporate Services will work with every current risk owner to support the conversion of current Risk Register entries to the new format. In addition, Corporate Services will be available, as they are now, to assist any risk owners with new risks to be entered on the Risk Register.

3.2 An 'at-a-glance' summary of all the risks on the Risk Register would be produced to accompany the individual risk register entries when submitted to Corporate Management Team and Governance Committee.

4. Identification of Options

4.1 Option 1 – For Council to adopt the new Risk Management Strategy.

4.2 Option 2 – For Council to adopt an amended Risk Management Strategy.

4.3 Option 3 – For Council to maintain the current Risk Management Strategy.

5. Evaluation of Options

5.1 Option 1 - This is the preferred option as it enables the Council to update its Risk Management Strategy in line with best practice and resolve the issues raised in the desktop review.

5.2 Option 2 – This is not the preferred option. If anything other than minor textual amendments are made then it is suggested that officers be requested to bring back a revised report to a future meeting of the Governance Committee.

5.3 Option 3 – This is not the preferred option as it would not address the concerns raised in the Desktop Review.

6. Resource Implications

6.1 It is intended that the new Corporate Risk Management Strategy and Risk Register would be managed within existing resources in Corporate Services.

6.2 It is not expected to take a risk owner significantly more time to complete the risk register entry, but it is intended to ensure that all aspects of potential risk have been considered.

7. Climate Change and Environmental Implications

7.1 There are no direct climate change and environmental implications arising from this report. However, the addition of a dedicated environmental risk impact category does enable risks to consider climate change and environmental implications.

8. Corporate Implications

8.1 Comment from the Director of Finance (linked to the MTFP): The Head of Finance & Investment has been consulted on this report and has no further comments to add.

8.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.

8.3 Comment from the Equalities Officer: This report recommending the adoption of the new Risk Management Strategy does not specifically highlight any equality implications, however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>

9. **Appendices**

Appendix 1 – Risk Management Strategy Toolkit

Appendix 2 – Risk Management Strategy

10. **Background Papers**

Local Code of Corporate Governance

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