Audit Committee

25 February 2021

Revised Risk Management Policy and Strategy

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources (Interim)

Councillor Alan Napier, Deputy Leader and Portfolio Holder for Finance

Purpose of the Report

1   For Audit Committee to approve the revised Risk Management Policy and Strategy

Executive summary

2   A revised version of the Risk Management Policy and Strategy is presented for approval. Two minor changes have been made to the document to reflect changes in governance arrangements.

Recommendation(s)

3   Audit Committee is requested to approve the revised Risk Management Policy and Strategy.

Background

4   The Risk Management Policy and Strategy, which has been developed in line with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016, contains a requirement that it should be reviewed annually.

5   Two minor changes have been made to the document, which was last updated in February 2020, to reflect changes in governance arrangements, and these are indicated with grey highlighter: -

(a)   Reference to the Partnership Governance Framework has been removed because there is a collection of individual formal partnership arrangements rather than a formal, overarching framework.

(b)   Reference to the risk management database named in the previous version of the strategy has been removed as its' use has been discontinued.

6   Audit Committee is requested to approve the revised version in **appendix 2**.

Appendix 1: Implications

Legal Implications

There are no direct implications, but effective risk management helps to ensure compliance with legal and regulatory obligations.

Finance

There are no direct financial implications, but effective risk management helps to avoid or minimise financial loss.

Consultation

None

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

There are no direct climate change implications, but effective risk management helps to avoid or minimise adverse impacts.

Human Rights

None

Crime and Disorder

None

Staffing

Staff training needs are addressed in the risk management training plan.

Accommodation

None

Risk

This report supports the delivery of the objectives of the Council's Risk Management Strategy.

Procurement

None

Appendix 2: Revised Risk Management Policy and Strategy

Version Date	Version Ref.	Revision History	Reviser	Approved By	Review Date
25 February 2021	9.0	Two minor revisions to reflect changes in governance arrangements.	Dave Marshall	Audit Committee	February 2022

Risk Management Policy Statement

As a modern local authority, Durham County Council is committed to delivering quality services to its communities and is aware that some risks are inherent in innovative service delivery.

The County Council needs to operate within the statutory framework and it recognises risk management is an integral part of all activities and decision making as set out in the Risk Management Strategy, which defines key roles and responsibilities and is reviewed annually, to maintain robust, integrated and effective risk management arrangements.

The Council also needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the creation and protection of value, and achievement of objectives. Risk should be considered and addressed as part of all decision-making activities.

In managing hazards and risks, the Council supports a structured and focused approach facilitated through its Risk Management Strategy.

In line with the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives guidance 'Delivering Good Governance in Local Government Framework', the Council's key purpose in relation to risk management is to establish and maintain a systematic strategy, framework and process for managing risk. This will be delivered by following the principles of: behaving with integrity; demonstrating strong commitment to ethical values; respecting the rule of law; openness; engaging comprehensively with institutional stakeholders; and engaging with individual citizens and service users effectively.

BSO31000:2018 (Risk Management Guidelines) lists the following principles in its guidance on the characteristics of effective and efficient risk management, communicating its value and explaining its intention and purpose. The principles are the foundation of managing risk and should be considered when establishing the organisation's risk management framework and processes.

- Integration with all organisational activities.
- A structured and comprehensive approach for consistent and comparable results.
- Processes that are customised and proportionate to internal and external context.
- Appropriate and timely involvement of stakeholders.
- Responsiveness to changes and events in an appropriate and timely manner.
- Best available information (timely, clear and available to relevant stakeholders).
- Consideration of human and cultural factors.
- Continual improvement through learning and experience.

Risk Management Strategy

Aim

The aim of the risk management policy and strategy is to embed risk management into the culture, ethos, policies and practices of the Council.

Strategic Objectives

In achieving this aim, we will meet the following strategic objectives:

- Effectively support the Council's Corporate Governance Framework.
- Enable informed, transparent and risk-managed decision making.
- Demonstrate improved outcomes as a result of risk management, including the successful delivery of innovative and challenging projects.
- Inform local communities and other stakeholders of the key risks faced by the Council, and, where appropriate, how it will manage those risks.
- Raise awareness of the need for risk management by all those connected with the delivery of services, including partners.
- Enable the Council to anticipate and effectively respond to changing conditions.
- Ensure that the approach to managing risk is proportionate to the risk involved and provides value for money.
- Meet statutory and best practice requirements in relation to risk management.
- Ensure that all parties understand their roles and responsibilities, and are adequately skilled to perform these roles.
- Consider risks relating to partnerships and collaborative working arrangements to mitigate joint risks.

To deliver these objectives

A systematic approach to the identification, prioritising and mitigation of risk according to the likelihood of occurrence and potential impact on the Council's services will be undertaken. The systematic approach will adopt the following cycle:
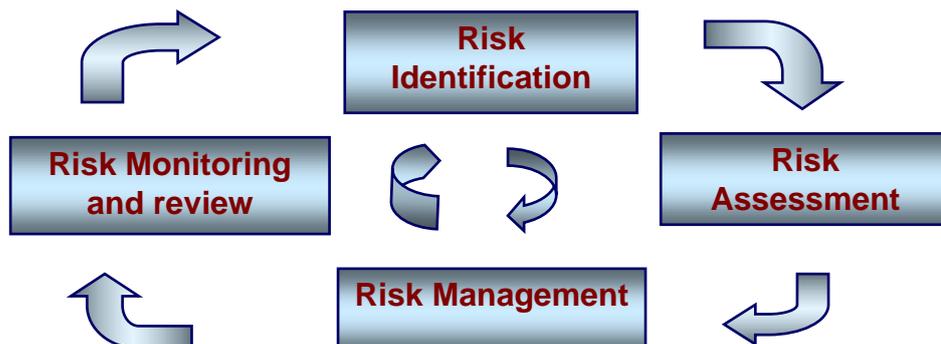
- Processes, procedures, roles and responsibilities to support this strategy will be documented in the Risk Management Manual.
- A Member Risk Champion will act as risk management sponsor among elected Members.
- An Officer Risk Champion will act as risk management sponsor among Council officers.
- The Corporate Risk Management Group will oversee the direction and progress of business risk management across the Council.
- Risk management training will be undertaken to ensure that all staff and Members:
  - involved in the council's risk management arrangements receive relevant training and guidance.
  - whether new or promoted, receive risk management awareness training in their induction.
  - effectively undertake their roles and responsibilities for risk management.
- Arrangements will be in place for identifying and managing new and emerging risks.
- Reports supporting a Key Decision will disclose details of the significant risks associated with that decision.
- The Council will work closely with partners to mitigate joint risks.
- For partnerships and collaborative working, services will identify, assess and manage the risk to the Council, using guidance set out in the Partnership Governance Framework. Key areas of concern will be reported to service management teams and where applicable to the Corporate Management Team.
- Named owners will be assigned to each risk and will be accountable for ensuring that adequate mitigation of that risk is in place.
- The Council will determine the risk appetite, which represents the maximum exposure to risk that it is prepared to tolerate.
- Based on the appetite for risk, management will either tolerate, treat or transfer the risk, or where appropriate, terminate the activity which causes the risk to occur.
- Corporate and service strategic risk registers will be compiled with each risk linked to the relevant strategic objective and analysed in terms of likelihood and impact, with a prioritised action plan to direct its risk management activity.
- Strategic risks will be recorded on Magique, the Council's Risk Management Software.

- Risk management will be embedded in the Council's corporate business processes, including:
  - strategic and service planning
  - financial planning
  - policy making and review
  - performance management
  - project management
  - decision making
  - procurement
  - bids for external funding
  - managing partnerships
- Services consider risks as part of the service planning process and whether any actions resulting from these should be included in the Service Plan. Where these risks are assessed as significant enough to be managed by Corporate Management Team or service management teams, they will be recorded in the corporate and service strategic risk registers.
- Service management teams will review their strategic risks three times each year.
- Corporate Management Team and Cabinet will review the strategic risks of the Council three times each year.
- Reports outlining the status of strategic risks will be produced three times each year to the Cabinet, Corporate Management Team and the Audit Committee.
- To supplement the reviews outlined above, the Audit Committee Chair and Vice-Chair will be given formal briefings by officers, as is necessary, on any risk issues arising between reviews. These briefings will be informed by consultation with Audit Committee members, heads of service and other risk owners.
- The Audit Committee will take appropriate action to ensure that corporate and service strategic risks are being actively managed.
- Internal Audit will ensure that the Audit Plan includes a review of control systems for operational and strategic risk.
- The Council will measure the performance of risk management against measurable outcomes, including finance, service performance, reputation, good governance, stakeholder benefits and lessons learned, and will benchmark risk management performance against other organisations.
- Risk management will contribute to the overall corporate governance framework of the Council, including the Annual Governance Statement and the Code of Corporate Governance.
- Resources will be allocated to embed risk management across the Authority.
- The Risk Management Policy and Strategy will be reviewed at least annually.