



Audit & Governance Committee
12 September 2022

Risk Management

Purpose of the report:

To provide an update on risk management

Recommendations:

It is recommended that:

1. Members note the update on risk management
2. Members approve the revised Risk Management Strategy

Introduction:

3. This paper provides an update on risk management over the past 6 months.

Risk Profile

4. The risk profile for Surrey County Council has deteriorated somewhat since the start of this year. This is reflected in the Corporate Risk Heat Map which shows that since January there have been 4 new risks, 2 risks deteriorating and 3 risks improving.
5. The causes for the worsening outlook are primarily driven due to external factors largely outside of the Councils' control. These include the geopolitical turbulence from the Ukraine conflict with Russia (risk ID ST27), a very challenging economic climate with higher inflation impacting the cost of living (risk ID ST 30), and changes in government policy (risk ID ST 28 & 31).
6. At the same time, it is important to understand that these risks are not restricted to Surrey County Council but being experienced by Councils across the country.

Risk Governance

7. This is the first risk management report since the revised governance changes came into effect in March 2022. To remind the Committee the changes related to:
 - Responsibility for the oversight and assurance on risk management being undertaken by the Audit & Governance Committee (AGC). The focus being on reviewing and approving the Risk Management Strategy along with updates on how risk management is operating in the Council.
 - Responsibility for reviewing specific Corporate risks (updated via the Corporate Risk Heat Map and Corporate Risk Register) being undertaken by Cabinet Members
8. Cabinet Members are reviewing risk on a quarterly basis and these sessions are supplemented with deep dives in a particular area - in the same way that AGC received previously. At the last risk session Councillor Becky Rush emphasised at the meeting that Members should have a good understanding of any Corporate risks sitting within their portfolio.
9. At a Corporate Leadership (CLT) level, risk continues to be discussed effectively by the CLT. These risk reviews are conducted monthly as a standing agenda item. Typically, there will also be a focus on specific risks with suggestions for improvements on how to progress. It should be emphasised that the risk sessions are not a 'tick-box' exercise but engaging discussions with contributions from all CLT.
10. At the Directorate level, risks are being reviewed with the additional support of a newly created 'risk lead' role. Each Directorate has nominated a member of their team to facilitate risk management such as ensuring mitigating actions are followed up, risks escalated if appropriate and there is close cooperation with the Strategic Risk Business Partner.

Risk Management Strategy

11. The Risk Management Strategy details how risk management is undertaken in the Council. It received a major overhaul in September 2021 and the AGC agreed to review the Strategy in a years' time to take account for any changes.
12. There are only two notable points of update to the Risk Management Strategy, namely:
 - The change in the role of AGC with the introduction of wider cabinet involvement (Sections 2 and 7)

- Reference to the risk lead roles now in place for each Directorate (Section 2)
13. To slightly complicate matters, while the AGC are asked to approve the updated Risk Management Strategy, the document also needs to be approved at Cabinet as it forms part of the Council Constitution. This does not seem the ideal solution for potentially relatively minor amendments in the future.
 14. A potential solution is to investigate whether it is appropriate for the Council Constitution to permit the AGC to have delegated authority to approve amendments to the Risk Management Strategy instead of having the whole Strategy approved and changed in the Councils' Constitution.
 15. The AGC are requested to approve the updated Risk Management Strategy and the Strategic Risk Business Partner will liaise with the Councils' Democratic Services department and Chair of AGC to find the most suitable long-term solution in relation to future Risk Management Strategy updates. It is worth noting that it is regarded as good practice for Audit Committees to review the Risk Management Strategy on an annual basis.

Risk Appetite

16. The Committee may recall from the last risk update in March 2022 that it was agreed by CLT that the Council would start to incorporate the concept of 'Risk Appetite'. Specifically, 2 pilot areas were identified to determine how useful risk appetite is in shaping the approach and getting alignment with stakeholders. The 2 areas selected were:
 - Your Fund Surrey (YFS) - within the Customer and Communities Directorate
 - Environmental and Climate Change - within the Environment, Transportation and Infrastructure Directorate
17. Both have completed risk appetite scenarios listing the range of option which could be selected (from Averse through to Disruptive). These scenarios are now being discussed with staff to gauge views and will then be expanded to a wider stakeholder base for opinions before establishing an agreed position.
18. Moving forward the key learning from this exercise from a risk management perspective is that the benefits from looking at risk appetite are derived for those specific organisational activities or areas which could benefit from more clarity and consensus on how much risk to take. As such, risk appetite will be applied on this basis.

Next Steps:

19. The AGC will continue to receive risk updates on a 6 monthly cycle with the next scheduled for March 2023.

Conclusions:

20. Risk management continues to be actively undertaken within Surrey County Council.

Financial and value for money implications

21. Improved decision making through risk management supports better allocation of resources and value for money.

Equalities and Diversity Implications

22. N/A

Risk Management Implications

23. Failure to implement effective risk management will reduce the quality of decision making within the Council. Moreover, the AGC will not be able to demonstrate that it is discharging its governance responsibility of having active risk management within the organisation.

Report contact: David Mody, Interim Strategic Risk Business Partner
Contact details: 07918 029479 / David.Mody@surreycc.gov.uk