



AUDIT AND GOVERNANCE COMMITTEE
22 March 2023

ITEM 10

Report sponsor: Director of Policy, Insight and Communications
Report author: Head of Strategy and Performance

Risk Management Strategy and Handbook

Purpose

- 1.1 This report seeks approval of the updated Risk Management Strategy and Risk Management Handbook.
- 1.2 The Strategy and Handbook are key to the Council's risk management framework and assurance processes.
- 1.3 To inform the refresh both documents have been subject to review activities, coordinated through the Corporate Risk Management Group, between September 2022 and March 2023, which has informed the revisions made. A summary of key changes to both documents is outlined in sections 4.5 to 4.8 of the report.

Recommendations

- 2.1 To approve the updated Risk Management Strategy (**Appendix 1**).
- 2.2 To approve the updated Risk Management Handbook (**Appendix 2**).
- 2.3 To note that a report on risk assurance will be submitted to the Committee in July 2023, in line with the roles and responsibilities set out in the Risk Management Strategy.

Reason

- 3.1 The Audit and Governance Committee is responsible for providing assurance to the Council on the effectiveness of its governance arrangements, its risk management framework and the internal control environment.

Supporting information

Risk Management Strategy and Handbook – 2023 to 2025

- 4.1 The Risk Management Strategy and Handbook were last updated in 2020/21, approved by the Audit and Governance Committee (previously the Audit and Accounts Committee) in November 2020.
- 4.2 Since 2020, there have been multiple actions taken to strengthen our risk management framework and provide increased risk assurance for senior leaders, which have been reported to the Committee as part of 6-monthly risk assurance updates. Recent developments have included:
- sign-off arrangements incorporated into risk registers to strengthen oversight and governance;
 - strengthened programme and project risk assurance activities through the implementation of the Project Management Platform, establishment of the Project Manager Network, and the development of an Assurance and Development Group to underpin the Programme Management Office Board (PMO);
 - introduction of 6-monthly assurance reviews on strategic and directorate risks where the scores remain unchanged, despite mitigations, to ensure risks are appropriately defined, review the context, any barriers to reduced ratings and any anticipated impacts of controls;
 - refreshed risk registers / templates to address Internal Audit recommendations and to improve processes, reducing manual intervention and allowing easier access to historical risk controls;
 - further risk appetite workshops hosted with Directors to finalise the development of Derby's risk appetite statements; and
 - a completed self-assessment of our risk maturity.
- 4.3 To make sure that both the Strategy and Handbook are reflective of current practices, and according to the agreed review frequency of at least every 2-years, both documents have been refreshed; in line with our Medium-Term Financial Planning timescales so we can align our position on risk appetite.
- 4.4 The focus of the latest review has been on developing the documents to enhance our risk management culture, and to further develop the tools available to support in risk review and management activity; building on and enhancing the progress that has been made across the risk management landscape over the last five years.
- 4.5 Key changes to the Risk Management Strategy (**Appendix 1**), which provides the architecture for our risk framework, includes:
- a reviewed and updated definition of risk (*internal audit recommendation*).
 - refreshed **roles and responsibilities** including:
 - further information on the role of Risk Champions
 - the role of Leaders has been updated in line with the Leadership Accountabilities
 - updated the Corporate Risk Management Group and Assurance Team roles to include training and support, in line with the Handbook
 - added the Project Manager Network and Assurance and Development Group, which have been introduced over the last 12 months
 - strengthened alignment to programme and project roles and responsibilities

- the inclusion of our agreed **risk appetite** boundaries
- an initial **risk maturity** assessment overview, which was used to inform the refresh of the Strategy and Handbook, a summary of which was reported to the Committee in January 2023.

4.6 In line with this, the Risk Management Handbook (**Appendix 2**) supports our colleagues in the practical application of risk management and has been strengthened in several areas:

- **risk appetite** statements have been developed and included alongside our agreed risk appetite boundaries (aligning to the Strategy);
- further guidance has been added on the difference between risk **tolerance** and **target scores**, in addition to risk appetite and risk tolerance;
- guidance has been updated to reflect the wider **definition of risks**, aiding a more holistic and informed approach to risk identification;
- further information has been added on **risks versus issues** to support appropriate **risk identification** and **analysis**, and details of the emerging risk log and issues log have been updated in line with current arrangements;
- **risk and opportunity identification** sections have been updated alongside supporting information on risk indicators;
- guidance on how to **escalate** and **de-escalate risks**, alongside the possible reasons for escalation and de-escalation have been included;
- completing the **risk register** and **risk templates** sections have been updated to reflect revisions made to our register templates over the last two years, alongside an overview of the PMP risk log format differences, and exceptions on using alternative templates where a clear process for approving their use has been added;
- there is more guidance on **department risk registers** and how they strengthen the risk framework;
- **project risk management sections** have been aligned to the strengthened Programme Management Office including the introduction of the Project Management Platform (PMP);
- there are now clearer expectations of **risk monitoring** frequency, and an additional **risk review** tools section added with a 'review of risk scores' and 'project risk review' template included; and
- **partnership** risk management has been included in the framework.

4.7 The following outstanding Internal Audit recommendations have been addressed as part of the refresh of the Strategy and Handbook.

Audit Recommendation	Implementation evidence
Risk tolerance was not clearly defined in the revised Risk Management Strategy or Revised Risk Management Handbook, both published in November 2020, and the difference between risk tolerance and risk target score was not explained.	<ul style="list-style-type: none"> • Risk tolerance definition revised within the refreshed Handbook. • Difference between risk tolerance and risk target score definition included within the refreshed Handbook. • Guidance on the difference between risk appetite and risk tolerance included within the refreshed Handbook.
The revised Risk Management Handbook, published in November 2020, was unclear in its explanation of risks, indicating that only those relating	<ul style="list-style-type: none"> • Definition of risks revised within the refreshed Strategy and Handbook.

Audit Recommendation	Implementation evidence
to the delivery of objectives should be considered.	
The risk appetite was not clearly defined in the revised Risk Management Strategy. There was no distinction made between the risk appetite and risk tolerance.	<ul style="list-style-type: none"> • Risk appetite statements have been developed through workshops with senior leaders. • Statements have been included within the refreshed Strategy and Handbook. • Guidance on the difference between risk appetite and risk tolerance also included.
The risk maturity level of the Council was not clearly evidenced or being regularly assessed.	<ul style="list-style-type: none"> • Initial risk maturity self-assessment completed in October 2022, using two models to ensure a robust and holistic approach (to be reviewed annually, as a minimum, going forward). • Self-assessment summary statements included within the refreshed Strategy.

- 4.8 A significant development within our risk framework, reflecting our improved risk maturity has been the inclusion of risk appetite statements, developed through workshops with senior leaders between 2021 and 2023, aided by Zurich. Presented below, using key risk themes is a summary of our agreed risk appetite boundaries. Full risk appetite statements for each category, alongside supporting information on what each boundary means in the context of each risk category are included in the Risk Management Handbook (**Appendix 6 within Appendix 2**).

Risk categories	Risk appetite boundaries				
	Averse	Minimal	Cautious	Open	Hungry
Financial					
Compliance and Regulatory					
Contract Management and Business Acumen					
Partnership					
Colleague Wellbeing					
Safeguarding					
Innovation					
Technology					
Environmental					
H&S & Physical Security					
Reputation					
Council Assets					
Projects and Programmes					

- 4.9 Strategic risks will continue to be reported to Cabinet and Executive Scrutiny every quarter, where further assurance on the effectiveness of controls can be sought, as required.

- 4.10 In line with agreed monitoring arrangements the Audit and Governance Committee will be presented with the next six-monthly risk management assurance report in July 2023.
- 4.11 The next formal review of the Strategy and Handbook will be completed in 2024/25, with any changes required in the interim communicated via 6-monthly risk assurance updates; recognising that it is important that both documents are dynamic and reflective of the latest circumstances, opportunities and challenges for both the Council and for the City.

Public/stakeholder engagement

- 5.1 Key stakeholders have been engaged in the review of both documents and the feedback that has been received has been used to revise the Risk Management Strategy and Handbook.

Other options

- 6.1 None.

Financial and value for money issues

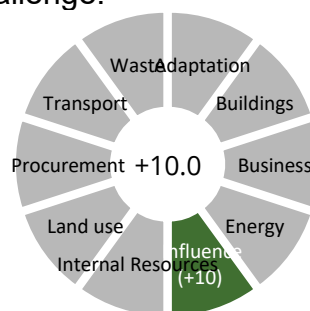
- 7.1 None directly arising from this report. Financial implications of risk have not been changed in our risk management matrix, and risk owners make an assessment of this as part of risk identification and review processes.

Legal implications

- 8.1 None directly arising from this report. Legal implications of risk have not been changed in our risk management matrix, and risk owners make an assessment of this as part of risk identification and review processes.

Climate implications

- 9.1 Where appropriate effective risk identification and management (both threats and opportunities), assist in raising the profile on climate change and providing another opportunity for review and challenge.



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Socio-Economic implications

- 10.1 None directly arising from this report.

Other significant implications

11.1 None.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Emily Feenan - Director of Legal, Procurement and Democratic Services and Monitoring Officer	08 March 2023
Finance	Alison Parkin – Director of Financial Services	09 March 2023
Service Director(s)	Heather Greenan – Director of Policy, Insight and Communications	13 March 2023
Report sponsor	Rachel North - Deputy Chief Executive (Communities and Place)	14 March 2023
Other(s)	Corporate Leadership Team (<i>Risk Strategy and Handbook including risk appetite guidance</i>)	

Background papers:

List of appendices: Appendix 1 – Risk Management Strategy – 2023 edition
Appendix 2 – Risk Management Handbook – 2023 edition