<u>Proposed Revised Approach to Corporate Risk Management</u>

DRAFT ALTERNATIVE NEW RISK MANAGEMENT FRAMEWORK

1. Purpose and Scope

This framework forms a key part of how Tendring District Council identifies, assesses, manages and reports risk in order to support delivery of its priorities, protect its finances and reputation, and provide assurance over governance and control.

2. Link to the Assurance Framework

Although this document has a focus on risk management, this newly adopted approach is designed to provide the Audit Committee with confidence and assurance in one place in terms of the Council's overall governance arrangements being effective and complied with, along with identifying practical actions to provide and maintain that confidence and assurance.

With the above in mind, this document therefore also sets out the key relationships to the Council's wider assurance activities to strengthen the necessary holistic approach to corporate assurance / resilience.

This document forms part of the Council's wider Assurance Framework that aligns risk management, governance, internal control and performance management across a range of key themes, with a high-level illustration below:

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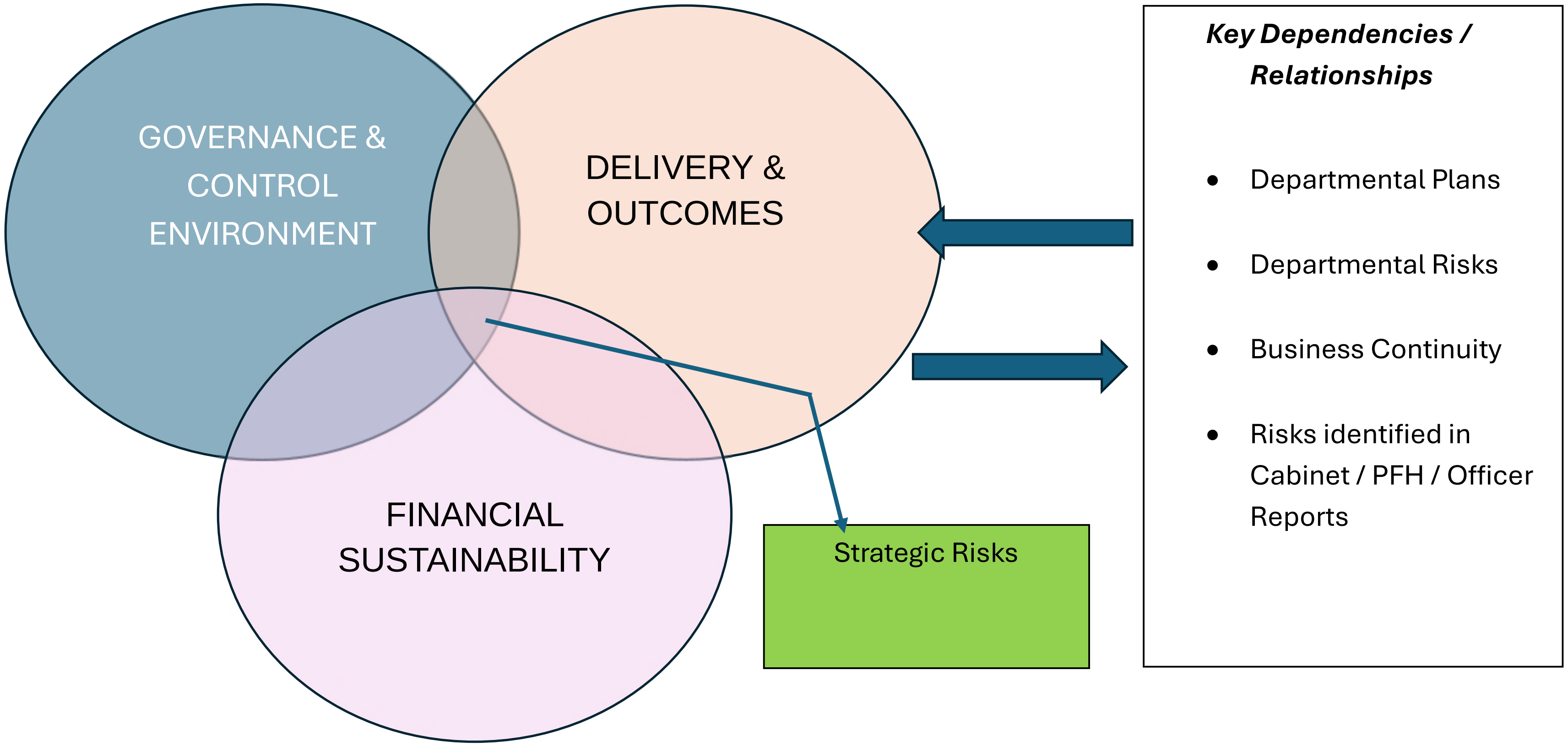

Key Definitions:

STRATEGIC RISK – Strategic risks are those risks that could materially affect a local council's ability to function effectively, achieve its statutory duties and strategic objectives, or maintain financial sustainability, governance, and public confidence.

ASSURANCE - What arrangements do we rely on to ensure success, delivery, performance and compliance.

3. Risk Hierarchy and Assurance

Risks are effectively managed by taking a view on the level of assurance that can be provided – in reality that is the confidence that stakeholders have in the Council's risk management processes. It involves evaluating the effectiveness of these processes to ensure they are functioning as intended. Assurance provides internal and external stakeholders with the necessary information to make informed decisions and helps ensure compliance with regulatory requirements.

The Council effectively maintains three tiers of risk "registers":

- Strategic risks *(reflecting the diagram above)*

- Directorate / operational risks

- Project/programme level risks

Risk exposure occurs at all levels within the Council. Therefore the Council's approach to risk is that it must be addressed on an integrated basis with everyone having a role and responsibility for its management. Risks can be effectively managed by evaluating the inherent and residual risks applicable, which are then assessed taking account of the Council's risk tolerance / appetite.

To maintain consistency across the Council in capturing and recording risks at a directorate and operational level, a format will be agreed by [TO BE DETERMINED] and underpinned / supported by a digital approach where possible.

4. Culture, Roles and Responsibilities and Reporting

Role / Group	Key Responsibilities for Risk Management
Audit Committee	Approves the risk management framework and provides oversight of strategic risks. Provides independent assurance on governance, risk and control frameworks.
Chief Executive / Management Team	Fosters an effective risk culture and integration into decision-making.
Monitoring Officer	Oversight of the corporate governance arrangements in respect of legality or maladministration.
Section 151 Officer	Oversight of the administration of financial affairs including the arrangements for financial and management controls and associated risks.
Directors / Heads of Service	Identify and manage strategic and operational risks within their areas of responsibility, own and review risks on the Corporate Risk Register and escalate emerging / significant risks as necessary.
Officer Responsible for Risk Management	Maintaining the Corporate Risk Register / Framework and supports and challenges risk processes.
Officer Project Board / Other Boards	Provides independent oversight of key projects and activities and supports and challenges associated risks.

Internal Audit	Provides independent assurance on effectiveness of risk management.
All Staff	Identify, manage and escalate risks as required within day-to-day activities.

In terms of fostering an effective risk culture, it is acknowledged that it must reflect openness, transparency, welcoming of constructive challenge and promotes collaboration, consultation, and co-operation. There must be an openness to scrutiny and maximising / utilising relevant expertise to inform decision-making.

Risk management and good governance is generally recognised as a key 'investment' to ensure the necessary capabilities and to continually learn from experience with key elements that complement the table above as follows:

- **Leadership commitment**: Leaders at all levels setting the tone and personally demonstrating the importance of the management and assurance of risk with clear accountability, to give greater confidence in decision-making.
- **Clear communication**: Creating 'channels' that enable and encourage conversations and challenge about risks throughout the organisation as well as communicating corporate messages of success and learning from both positive and negative experiences.
- **Employee empowerment**: Encouraging employees to own and therefore manage risks at an operational level, and for all employees to feel able and empowered to speak up where there is a concern that threatens success, delivery, achievement, and good performance.
- **Training, awareness and responsibility**: An embedded and accessible source of information, practical examples and scenarios, and easy to understand guidance to make the 'risk process' real and relatable to everyone's working experience – making the consideration of risk a part of the 'day job' at every level in the organisation and making it a responsibility through job descriptions and performance and development appraisals as necessary.

5. Risk Appetite

The Council is risk aware and takes proportionate / informed risks to deliver its objectives, with zero tolerance for unlawful, unsafe or financially unsustainable activity.

The Council Acknowledges that:

- Risks are uncertainties that matter and may impact on the delivery of the Council's objectives and services. Risk exposure to the Council arises from the functions and activities it undertakes. Risk exposure will also arise as the Council increases its partnership and multiagency work – whilst control of risks in such instances may be outside of the Council's direct control, the risk exposure needs to be taken into account within the risk management process. Risk management is the systematic method of identifying, assessing, prioritising, controlling, monitoring, reviewing and communicating risks associated with any activity, function or process in a way that enables the Council to minimise the threats it is exposed to and to maximise the opportunities for achievement of its objectives. The Council acknowledges that risk management plays a key role in its overall assurance framework, better informs decision making and in assisting in the support and delivery of key objectives, projects and services. It aids in creating an environment that:
    - Maximises opportunities
    - Minimises threats
    - Adds value

- Risk management is an essential element of good governance. CIPFA / Solace in their "Delivering Good Governance in Local Government" guidance identifies as a core principle of good governance that authorities "take informed and transparent decisions which are subject to effective scrutiny and managing risk". Risk management is not about being risk averse, it is about being risk aware. For the Council to make the most of its opportunities and to achieve its objectives, the Council will be exposed to risk. By being risk aware and understanding its risk appetite, the Council will be better able to take advantage of opportunities and mitigate threats. To secure maximum benefit for Tendring District Council, the risk management framework must be integrated with departmental planning. Risk registers must be regularly reviewed and must be meaningful, consistent and current. This framework is to ensure that the Council has a robust yet proportionate approach to risk management.

6. Strategic Risks

As highlighted earlier, although this Framework is designed to bring together the Council's overall approach to risk management, governance and assurance, it also captures and acts as the Council's Strategic Risk Register and based on the above approach these strategic risks have been identified as follows:

1. ***Financial Sustainability / Resilience***
2. ***Workforce Capacity & Resilience***
3. ***Cyber, Data and Information Security***
4. ***Business Continuity and Organisational Resilience***
5. ***Management of Assets***
6. ***Governance and Decision Making***

An EXAMPLE of a proposed format in terms of capturing, managing and monitoring these risks are set out at the end of this document

7. Action Plan

Proposed Action	Comment
To be developed and to include complementary AGS Actions where relevant	

Assurance Mapping / Strategic Risks

As highlighted within the diagram earlier within this document, the effective management of risk forms part of a wider assurance framework that is supported by a number of key activities including:

- Management controls
- Corporate oversight functions
- Independent audit

This document aims to capture the key relationships to the Council's wider assurance activities to strengthen the necessary holistic approach to corporate assurance / resilience with the key elements / relationships set out below:

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Key Elements of Wider Assurance Framework / Mapping

Theme	Assurance Required Against the Following Key Areas	How Obtained / Link to Code of Corporate Governance etc.
GOVERNANCE & CONTROL ENVIRONMENT	Information Systems Management	**TO BE ADDED**
	Information Governance & Compliance	
	Risk Management / Governance Assurance	
	Compliance with IA, EA, Inspections etc.	
	Workforce Management / HR	
	Partnerships and Collaboration Governance	
	Legislative Compliance	
	Ethical Standards and Conduct Management	
DELIVERY & OUTCOMES	Decision Making	
	Performance Management and Data Quality	
	Project and Programme Management	
	Health and Safety	
	Equalities and Inclusion	
FINANCIAL SUSTAINABILITY	Financial Management	
'Mapping' of Risks Previously Included on Corporate Risk Register		
Council House Building	Assurance is obtained via the Regular Performance Reporting and Quarterly Financial Performance Reports presented to Cabinet	
Council Tax Collection	Assurance is obtained via the Quarterly Financial Performance Reports presented to Cabinet	
OTHER ITEMS TO BE ADDED		

Assurance Framework Elements From Table Above– Key Milestones

Key Assurance Element	When / Where last Reported	When / Where Next Reported
Performance Management Framework	**TO BE ADDED**	**TO BE ADDED**
Quarterly Financial Performance Reports		
Code of Corporate Governance		
Internal Audit Plan / Progress		
OTHER ITEMS TO BE ADDED		

PROPOSED NEW Corporate Risk Register Approach

EXAMPLE

1	**Strategic Risk**	Financial Sustainability				**Lead Director / Officer**	Richard Barrett
	Principal Risk and Assurance Requirement					**Lead Member**	F&G PFH
		That the Council maintains a sustainable and resilient financial position.					
	Risk Scores						
		Inherent		**Current**			
	Likelihood	**X**		X			
	Impact	X		X			
	Key Controls		**Assurance gained from**		**Gaps / Proposed Actions**		
	The authority has carried out a credible and transparent financial resilience assessment						
	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.						
	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.						
	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities						

	The authority complies with its statutory obligations in respect of the budget setting process.		
	The budget report includes a statement by the CFO on the robustness of the estimates and the statement on the adequacy of the proposed financial reserves.		
	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.		
	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.		
	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.		
	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.		

	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.		
	MTFS exists, is up to date, and is stress-tested.		
	Budget monitoring is timely and acted upon		
	Reserves strategy is clear and aligned to risk appetite		

Repeat Above Example Approach for the Other 5 Proposed Strategic Risks:

- Workforce Capacity & Resilience
- Cyber, Data and Information Security
- Business Continuity and Organisational Resilience
- Management of Assets
- Governance and Decision Making