

30 October 2023

ITEM: 5

Standards and Audit Committee

Review of Risk and Opportunity Management and the Strategy, Policy and Framework

Wards and communities affected:

All

Key Decision:

Non-key

Report of: Andy Owen, Corporate Risk and Insurance Manager

Accountable Assistant Director:

Accountable Director: Steven Mair, Chief Financial Officer

This report is Public

Executive Summary

This report seeks Members comments on the Council's proposed new Risk and Opportunity Management Strategy, Policy and Framework which is attached as Appendix A.

The report provides details of the review of the Council's Risk and Opportunity Management arrangements to address the points raised in the Best Value Inspection Report and the key areas for improvement identified from the self-assessment against good practice.

The Strategy, Policy and Framework document sets out the Council's approach to the management of risk and opportunity and demonstrates its intention to continue to develop the arrangements across the organisation during 2023/24 and beyond to support the delivery of the Council's priorities and objectives.

1. Recommendation(s)

- 1.1 That Standards and Audit Committee comment on and endorse the Council's Risk and Opportunity Management Strategy, Policy and Framework (Appendix 1).**
- 1.2 That Standards and Audit Committee note the improvements to address the recommendations for risk management included in the Best Value Inspection report (see 3.7 of report).**
- 1.3 That Standards and Audit Committee note the improvement activities to be undertaken during 2023/24, including workshop with Senior Leadership Team to refresh the Strategic/Corporate Risk and Opportunity Register (see 3.7 of report and page 8 of Appendix 1).**
- 1.4 That Standards and Audit Committee note a report is scheduled to be presented to Cabinet 13 December 2023 for consideration and agreement of the Risk Management Strategy, Policy and Framework.**

2. Introduction and Background

- 2.1 On 2 September 2022, the Secretary of State for Levelling-up, Housing and Communities appointed Essex County Council as Commissioners due to significant concerns around the high financial risks and debt relating to Thurrock Council's investments.
- 2.2 In addition to this Essex County Council were appointed as Best Value Inspectors to review the governance, overview and scrutiny, audit and risk management functions of Thurrock Council.
- 2.3 On the 19 December 2022 the Council's Acting Director of Finance & Section 151 Officer issued a report under Section 114 of the Local Government Finance Act 1988, which highlighted the extremely serious nature of the financial situation facing the Council.
- 2.4 On the 23 December 2022, the Acting Chief Executive issued a public response to acknowledge the scale of the financial challenge, the action needed to put the Council on a secure long term financial footing, the levers available to mitigate the gaps and the exceptional financial support required from government to support the budget position.
- 2.5 The Council subsequently worked with the Commissioners and the Department of Levelling Up, Housing & Communities to develop an Improvement & Recovery Plan in response to the directions.
- 2.6 The scope of the Best Value Inspection was expanded in December 2022 and the report to central government deferred from the 3 January 2023 to 17 February 2023. The Best Value Inspection report was published on the 15 June 2023.
- 2.7 Following release of the Best Value Inspection report the recommendations for risk management, along with the key areas for improvement identified from the earlier self-assessment against good practice were used to inform a review of the risk and opportunity management arrangements.
- 2.8 The Review of Risk and Opportunity Management has been incorporated as a project under the Governance and Scrutiny Theme of the Improvement and Recovery Plan. Delivery of the project plan is regularly reported and monitored by the Governance and Scrutiny Board and Improvement and Recovery Board through the programme management arrangements for the Improvement and Recovery Plan.

3. Issues, Options and Analysis of Options

- 3.1 Risk and opportunity management (ROM) describes the planned and systematic approach used to identify and manage the whole range of business risks and opportunities facing an organisation and the achievement of its objectives.

- 3.2 Risk and Opportunity Management is an integral part of the Council's Corporate Governance and Performance Management arrangements, and the Council has a statutory responsibility under the Account and Audit Regulations to put in place effective arrangements for the management of risks.
- 3.3 The Best Value Inspection report incorporated a range of recommendations indicating the need to strengthen the Council's approach to risk and opportunity management and the key areas for improvement identified included:
- Improve engagement of leadership and management in risk management
 - Review the risk management policy and strategy to incorporate:
 - A comprehensive statement of how risks are managed to ensure that all ROM practices are subject of consideration by management and members.
 - An explanation on how risks are scored and how risks with a particular score are reported.
 - Details of the council's appetite for risk, including how the risk appetite is set.
 - Review the approach for the annual risk maturity assessment and evaluation.
 - Review risk reporting arrangements to members to ensure up to date risk/opportunity information is presented in an appropriate time frame and format.
- 3.4 Prior to the release of the Best Value inspection report a self- assessment of the council's risk and opportunity management arrangements against a good practice model was undertaken and the following key areas for improvement identified from the evaluation:
- Raise ROM awareness and improve engagement (both staff & members)
 - Build capacity/resource for ROM across the council.
 - Further embed ROM across the Council at strategic and operational levels
- 3.5 The Council recognises that risk and opportunity management is a journey and to be effective it must be characterised by a set of consistent principles, language, framework and processes.
- 3.6 The Council's Risk and Opportunity Management Strategy, Policy and Framework has been refreshed to address the key areas for improvement identified from the review, sets out the Council's commitment to managing risk and opportunity effectively across the business and outlines the plans to develop the arrangements across the organisation during 2023/24 and beyond to support the delivery of the Council's priorities and objectives.

- 3.7 A summary of the improvements and the links to the strategy, policy and framework document (Appendix 1) are included below for ease of reference:

<p>Improve engagement of leadership and management in risk management</p> <ul style="list-style-type: none"> ✓ Risk and opportunity management strategy, policy and framework endorsed by Cabinet (via Standards & Audit Committee and Senior Leadership Team) and to be cascaded through Directorates and across the authority following adoption via communication, engagement and training activity. ✓ Leadership and management responsibilities covered in Appendix 1 under the Overview of ROM section page 5, ROM Process section pages 9 -13, Risk and Opportunity Escalation section page 14-15 and Roles/Responsibilities page 19. ✓ Plans to undertake risk and opportunity management facilitated workshops with Senior and Directorate leads to engage and discuss ROM, establish risk appetite and to refresh the Strategic/Corporate Risk and Opportunity register incorporated in Appendix 1 under ROM Improvement Plan page 8. ✓ Plans to establish risk and opportunity management coordinators in the Directorates to build capacity for ROM, to support embedding of the practice in the department/services and to assist the delivery of the ROM strategy incorporated in Appendix 1 under ROM Improvement Plan page 8. ✓ Plans to develop/implement tools, guidance and training programme (for officers and members) to build capacity for ROM across the organisation and to support the delivery of the ROM strategy and framework incorporated in Appendix 1 under the ROM Improvement Plan page 8.
<p>Review the risk management policy and strategy to incorporate:</p> <ul style="list-style-type: none"> • A comprehensive statement of how risks are managed to ensure that all ROM practices are subject of consideration by management and members
<ul style="list-style-type: none"> ✓ The refreshed ROM strategy, policy and framework document as whole provides a comprehensive statement of how risks are managed, and the practice considered by management and members. ✓ Roles and responsibilities for ROM and the frequency of reporting incorporated in Appendix 1 under page 19
<ul style="list-style-type: none"> • An explanation on how risks are scored and how risks with a particular score are reported
<ul style="list-style-type: none"> ✓ An explanation on how risks are scored incorporated in Appendix 1 under Evaluation section pages 10-11 and Criteria Guide for Impact and Likelihood pages 17-18. ✓ An explanation on how risks with a particular score (e.g., principal risk with a rating of 12 to 16) are managed and reported covered in Appendix 1 under Evaluation section pages 10-11, Review, Recording and Reporting sections pages 12-14 and Escalation section pages 14-15.
<ul style="list-style-type: none"> • Details of the council's appetite for risk, including how risk appetite is set
<ul style="list-style-type: none"> ✓ Details of risk appetite included in Appendix 1 under Risk Appetite page 6 and associated links covered under Evaluation section pages 10-11, Reporting section Page 13 and Escalation section pages 14-15.
<p>Review the approach for the annual risk maturity assessment and evaluation</p> <ul style="list-style-type: none"> ✓ Risk maturity assessment and plan for improvement detailed in Appendix 1 under Risk Maturity section pages 6-7 and ROM Improvement Plan page 8.
<p>Review risk reporting arrangements to members to ensure up to date risk/opportunity information is presented in an appropriate time frame/format</p>
<ul style="list-style-type: none"> ✓ Risk reporting, including frequency of reporting of key risks and opportunities covered in Appendix 1 under Evaluation section pages 10-11, Review, Recording and Reporting sections pages 12-14, Escalation section pages 14-15 and Roles and Responsibilities section page 19.

4. Reasons for Recommendation

- 4.1 The report provides details of the work undertaken to review the risk and opportunity management arrangements; refresh the Council's Risk and Opportunity Management Strategy, Policy and Framework and the plans to develop and bolster the arrangements across the organisation.
- 4.2 To enable the Standards and Audit Committee to consider and comment on the review; the revised strategy, policy and framework, and the plans to develop and strengthen the arrangements across the Council.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The report on the review; refresh of the strategy, policy and framework, and plans to develop the arrangements across the organisation were reported to Senior Leadership Team 09 August 2023.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 ROM is recognised as a good management practice and how successful the council is in managing the risks and opportunities it faces will have a major impact on the achievement of the council's priorities and objectives.

7. Implications

7.1 Financial

Implications verified by: **Rosie Hurst**

Interim Senior Management Accountant

Effective risk and opportunity management and the processes underpinning the delivery of services provides a framework to identify, manage and reduce the likelihood of financial claims and/or loss faced by the Council.

7.2 Legal

Implications verified by: **Gina Clarke**

Governance Lawyer, Legal Services

The Council is required to have a sound system of internal control and carry out an annual review of its effectiveness under the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014. As well as being a statutory requirement, effective risk and opportunity management and the processes underpinning it provide a more robust means to identify and

manage risk and reduce the likelihood of legal claims or regulatory challenges against the Council.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Smith**

Strategic Lead - Community Development

The management of risk and opportunities provides an effective mechanism for monitoring and addressing key equality and human right risks associated with a range of service and business activities undertaken by the council. It also provides a method for reducing the likelihood of breaching statutory equality duties, specifically, the Equality Act 2010 and Public Sector Equality Duty.

7.4 **Other implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder and Impact on Looked After Children)

Risk and opportunity management contributes towards the council meeting the requirements of Corporate Governance and the Account & Audit Regulations.

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Best Value Inspection Report, published 15 June 2023
- ROM Review 2023 (risk maturity/self-assessment against good practice).

9. **Appendices to the report**

- Appendix 1 – Risk and Opportunity Management Strategy, Policy and Framework

Report Author:

Name: Andy Owen, Corporate Risk and Insurance Manager

Telephone: 01375 652174

E-mail: aowen@thurrock.gov.uk