

# Audit Committee

28 July 2022



<b>Title</b>	<b>Risk Appetite Framework – Timeline for Implementation</b>
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	Community Affordable housing Recovery Environment Service delivery
<b>Recommendations</b>	<b>Committee is asked to:</b>  <b>Note the proposed timeline for ‘soft implementation’ of a Risk Appetite Framework for the Council.</b>
<b>Reason for Recommendation</b>	Not applicable

## 1. Summary of the report

- 1.1 The rationale and benefits in adopting a Risk Appetite Framework for Spelthorne and the preference for a gradual implementation has been discussed with the Audit Committee, Management Team, Group Heads and Corporate Risk Management Group. Developments have been reported at the November and March meetings of the Audit Committee.
- 1.2 This report seeks to set out a proposed timeline for ‘soft implementation’ of a Risk Appetite Framework for the Council, as well as an outline of the stages already undertaken and those envisaged in working towards ‘full implementation’.

## 2. Key issues

- 2.1 The Internal Audit Manager has presented proposed timelines for ‘soft implementation’ and ‘full implementation’ of a Risk Appetite Framework (RAF)

to the Corporate Risk Management Group in June, and a refreshed version is set out in the tables below:

(a) **RAF – Soft Implementation**

Soft Implementation - Proposed stages	Is there an example/template in the Risk Appetite Pack demonstrating how the RAF could be applied to this area ?	Current status and Progress	Envisaged Timeframe for soft implementation & Next Steps.
1.Service Planning	Yes – shared with MAT + 30.11.21 and Audit Committee 24.3.22	Group Head Commissioning & Transformation has confirmed risk appetite considerations now form part of Service Plan templates.	To align with the budget process for 2023/24. Timeline for submission of next cycle of service planning is <b>September 2022</b> .  In embedding a risk management culture, Services to give conscious thought to risk appetite in making decisions.
2.Decision making and governance – Committee Reports	Yes – shared with MAT + 30.11.21 and Audit Committee 24.3.22	A “Risk Considerations” section has been introduced in the Committee report template, providing an opportunity for report authors to outline risk implications.	A “Risk Considerations” section has been added to the Committee report template – <b>March 2022</b> .  It does not specifically prompt the author to consider risk appetite, but is a positive step in working towards further embedding risk management.
3. Project Management	No	Group Head Commissioning & Transformation has advised that Project management methodology incorporates risk considerations.	Timeline proposed <b>end September 2022</b> to align with service planning.  Project related decisions (including whether to proceed with a project) to align with identified risk

			appetite for relevant impact measure (refer to RAF documents linked with stage 5 on full implementation table at 2.9 b).
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(b) **RAF – Full Implementation – proposed stages**

Full Implementation stages	Current status	Envisaged Timeframe for implementation	Lead Officer(s)
1. Identify Risk Appetite levels to be used for Spelthorne	Completed – 4 levels identified	Completed September 2021	Internal Audit Manager and External Consultant
2. Identify impact measures against which risk appetites can be measured	Completed – 6 measures identified	Completed September 2021	Internal Audit Manager and External Consultant
3. Raise awareness and understanding regarding the principles and rationale underpinning the introduction of a RAF for the Council	Completed	Completed – Papers, discussions and presentation with MAT , MAT +, Audit Committee September 2021 October 2021 November 2021 March 2022	Internal Audit Manager and External Consultant
4. Articulate risk appetites for Spelthorne across each of the identified impact measures	Completed	Completed November 2021 Paper to MAT +	Internal Audit Manager and External Consultant
5. Consider where Spelthorne’s risk appetite sits across the identified impact measures (CURRENT AND FUTURE DIRECTION)	Completed	Completed November 2021 Paper to MAT +	Internal Audit Manager, Chief Finance Officer and former Group Head of Corporate Governance
6. Members to meet with MAT/MAT+ to discuss and formally agree where the Council’s risk appetite currently sits across the range of	To be actioned.	To follow soft implementation. <b>Proposed Autumn 2022.</b>	Members and MAT/MAT + It is recognised that appetite perceptions (current and future) may differ between Officers

identified impact measures (note we are proposing a range of appetites applied across the impact measures)			and Members, and such discussions are important in establishing and agreeing the appetites.
7. Members to formally approve the range of Risk appetites for the Council	To be actioned.	To follow soft implementation. To follow stage 6 <b>Proposed Autumn 2022.</b>	Members. Corporate Governance to advise if approval to go via Full Council or other Committee.
8(i) Refresher awareness raising session for Group Heads and Managers.  8.(ii) Embed RAF within Committee reports (where a proposal is put forward requiring a decision)	Progress made. Template prepared (within risk appetite pack) to demonstrate how Officer proposals align to the approved Council risk appetite (s). Where they fall outside of appetite, consider any risk implications and wider consequences	8(i) <b>Proposed Autumn 2022</b> to follow stage 7.  8(ii) To follow soft implementation. To follow stage 7 <b>Proposed November 2022.</b>	8(i) Internal Audit Manager to attend MAT+ or Managers Briefing.  (ii) Committees Team/Committee Manager template can refine the initial draft template as deemed necessary – <b>Autumn 2022.</b>  All Committee report authors making a proposal that requires a decision – <b>November 2022.</b>
9. Continue to apply a risk appetite framework through integration with corporate processes, corporate risk management, service management and internal audit reviews	To be actioned.	To follow soft implementation. To follow stage 8  <b>Proposed January 2023</b> to allow time for application across relevant processes and areas.	All Group Heads and Managers; Internal Audit Manager
10. Cyclical monitoring and review of stage 6 is recommended in line with best practice given that Council risk appetites are unlikely to stay stagnant	To be actioned.	To follow soft implementation. To follow stage 9. <b>Cyclical (annual) review .</b>	Members and MAT/MAT +

### 3. Options analysis and proposal

- 3.1 Option 1 - It is proposed that the stages outlined in the table above at 2a are undertaken as part of the initial phase - soft implementation of a Risk Appetite Framework for the Council. It is proposed that the stages outlined in the second table above at 2b are necessary to ensure an effective full implementation of a Risk Appetite Framework for the Council. The rationale and benefits for the Council in adopting a RAF have been previously reported to MAT, MAT+ and the Audit Committee. Essentially it is a tool that will guide how much risk (and opportunity) the Council is willing to seek and accept to enable consistent, transparent, and informed risk-based decisions in delivering corporate priorities and objectives.
- 3.2 Option 2 – Do nothing. As a result the Council’s level of risk maturity will not develop in terms of articulating, demonstrating and applying its risk appetite(s) as part of decision making, risk management, service management and delivery of corporate priorities and objectives.

#### **4. Financial implications**

- 4.1 There could be significant adverse financial consequences if Council decisions do not align with the Council’s risk appetite for the ‘financial’ impact measure. This may also apply where decisions are delayed with consequences for effectively delivering corporate priorities and objectives.
- 4.2 There are no additional resources assigned for implementation of a RAF, so it is assumed they will need to be contained within existing budgets.

#### **5. Risk considerations**

- 5.1 Implementing a risk appetite framework for the Council is a positive and necessary development in the Council’s overall level of risk maturity. It meets recommended professional best practice in risk and opportunity management.
- 5.2 The impact of overstretched corporate capacity in progressing full and continuous implementation of a RAF has already been taken on board from Officer feedback (MAT, Group Heads and Managers). The gradual approach to implementation of a RAF over the course of around 18 months (from initial work undertaken in August 2021) as indicated in the proposed timeline under section 2 is intended to help alleviate some of these pressures.
- 5.3 A comment raised by some Officers is around over how this initiative will add value to the Council. Once such a framework is actively trialled and applied over the course of time, it is envisaged this will provide an opportunity to gain further insight of increased integration, alignment and coherency across the Council’s decision making, governance, risk management, key corporate processes, and service provision.

#### **6. Legal considerations**

- 6.1 The level of risk exposure to statutory requirements will form an important consideration for Members and Managers in determining risk appetite levels.

#### **7. Other considerations**

- 7.1 There are none.

#### **8. Equality and Diversity**

- 8.1 In progressing the implementation of a risk appetite framework and applying it over time across corporate processes, the Council should define what it sees as its risk appetite level when considering equality and diversity. This will help

to determine and demonstrate proportionate action that aligns with the risk appetite set in responding to risks and opportunities.

**9. Sustainability/Climate Change Implications**

- 9.1 In the proposed RAF, 'delivery of corporate priorities' represents one of the defined impact measures against which risk appetites levels are articulated. This will help to determine and demonstrate proportionate action for Climate Change as a corporate priority area that aligns with the risk appetite set in responding to risks and opportunities.

**10. Timetable for implementation**

- 10.1 Please refer to the proposed implementation timetable set out under sections 2a and 2b.

**11. Contact: Punita Talwar, Internal Audit Manager**

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**Background papers: There are none.**

**Appendices: There are none.**