



AUDIT AND GOVERNANCE COMMITTEE:

26th January 2021

Report of: Head of Finance, Procurement & Property Services.

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SUBJECT: RISK MANAGEMENT FRAMEWORK

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To set out details of the operation of the Risk Management Framework over the last twelve months.
- 1.2 To recommend changes to the current Risk Management Framework.

2.0 RECOMMENDATIONS

- 2.1 That the continuing effective operation of the Risk Management Framework be noted.
- 2.2 That the revised Risk Management Policy including a new Risk Appetite Statement and Corporate Risk Matrix (appendix A) and Risk Management Toolkit (appendix B) be endorsed for approval by Executive Overview & Scrutiny and Cabinet.

3.0 BACKGROUND

- 3.1 West Lancashire Borough Council continues to recognise the importance of identifying, evaluating and managing all Corporate and Service Risks that could affect the achievement of its objectives.
- 3.2 Risk Management is not about being 'risk averse', it is about being 'risk aware'. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives. Risk Management is about effectively managing risks that could affect the Council. It is also about making the most of opportunities and achieving objectives. By being 'risk aware' the Council is in a better position to avoid threats and take advantage of opportunities.

- 3.3 The terms of reference of the Audit and Governance Committee include monitoring the effectiveness of the Risk Management Framework and Corporate Governance processes within the Council.

4.0 DEVELOPMENTS OVER THE LAST TWELVE MONTHS

- 4.1 Following the Council restructure Risk Champions were nominated to represent service areas on the Risk Management Working Group (RMWG) and a revised RMWG met in August to discuss the updated terms of reference of the Group and the work plan for the forthcoming year. In December the group met to discuss changes to the Risk Management Framework.
- 4.2 The most significant change in Risk Management over the last year has been the revision to the existing Risk Management Framework which includes a revised Policy containing a new Risk Appetite Statement and Corporate Risk Matrix, and the introduction of a Risk Management Toolkit. These documents were agreed by the Risk Management Working Group and CMT before being presented to this committee for approval.
- 4.3 Several Training Sessions on the Pentana Risk Management System have been run to allow officers to use the system with confidence. Risk Owners are personally responsible for updating their risks on Penanta and Heads of Service are responsible for ensuring that risk registers on Pentana are comprehensive, accurate and up to date.
- 4.4 It is a best practice requirement that the Corporate Risk Register be reported to Cabinet and Executive Overview and Scrutiny every six months and this has continued to take place over the last year.
- 4.5 The Corporate Risk Register provides a useful summary of the main issues facing the Council and provides assurance to Members that these risks are being effectively managed.
- 4.6 Arguably the most important risk facing the Council at this time continues to be the financial challenge of dealing with significant and on-going reductions in government grant funding and other external income. This risk is being effectively managed however the challenging medium term financial position facing the Council over the next few years means that this will continue to be a Corporate risk. The risk of COVID-19 has been a new introduction to the Corporate Risk Register in the last year and is being effectively managed as business continuity plans in place have been thoroughly tested, amended and externally audited.

5.0 FUTURE DEVELOPMENTS

- 5.1 The Council understands that it is critical to the effectiveness of Risk Management that all staff, where possible, have a thorough understanding of the benefits of Risk Management, that they are provided with the tools needed to manage risk effectively and understand how to apply risk management in their everyday roles and responsibilities.

- 5.2 A series of risk management training sessions for both officers and Members are scheduled to take place starting in February, running throughout March and April. In addition risk management training sessions will form part of future staff inductions.

6.0 CHANGES TO THE RISK MANAGEMENT POLICY

- 6.1 The Risk Management Policy continues to be reviewed by Officers to ensure that it reflects best practice, new developments and organisational change. An updated version of the Policy which includes the new Risk Appetite Statement (pages 8-10) and Corporate Risk Matrix (pages 11-12) is included at appendix A.
- 6.2 The biggest change to the policy involves the movement of a 5x5 risk matrix to a 4x4 risk matrix. Having a larger matrix may not give a sufficient, or may give too vague of an assessment. It is noticeable that risks within a 5x5 matrix often become stuck within middle ground as an easy option. In addition a 4x4 matrix will align with Audit's Assurance Options which record the overall level of assurance surrounding the Councils Risk Management, Control and Governance processes, recognised by the internal Audit team at the time any audit review work is undertaken.
- 6.3 The Councils risk appetite has been reviewed and is formalised in the statement at section 18 of the Policy (pages 8-10). Directors, Heads of Service and Members were sent a short survey to collect current perceptions of the Council's risk appetite and to establish where they would like the future risk appetite to sit. The results of this survey were discussed in a workshop session facilitated by Zurich Municipal, the Councils insurer, and the updated Risk Appetite was agreed.

7.0 RISK MANAGEMENT TOOLKIT.

- 7.1 In order to increase understanding and application of the Policy it is essential that officers have access to a working document detailing practical and real life examples that they can refer to when maintaining the documentation required to support their Service Risk Register and the Council's Corporate Risk Register.
- 7.2 The Toolkit (appendix B) highlights the importance of risk management, the structure of it within the Council and clearly discusses the steps that must be taken to follow the Risk Management Process.

8.0 REVIEW OF EFFECTIVENESS

- 8.1 The Risk Management Framework has once again operated effectively over the last year however the revisions detailed in this report, if approved, will provide a more robust and efficient Framework. The arrangements in place include Corporate and Service Risk Registers, a Risk Management Policy, Toolkit, and a Risk Management work programme, incorporating a training programme. Risk Registers continue to be maintained on the Pentana Risk system and are subject to regular review and updating.

9.0 SUSTAINABILITY IMPLICATIONS

9.1 Understanding risk is important in ensuring that the Council is sustainable on many fronts, financial soundness, analysis of key strategic objectives, to ensure effective delivery and to ensure that competence is portrayed to key stakeholders.

10.0 FINANCIAL AND RESOURCE IMPLICATIONS

10.1 The successful management of the risks facing the Council will ensure that resources are used effectively and efficiently.

11.0 HEALTH AND WELLBEING IMPLICATIONS

11.1 There are no health and wellbeing implications arising from this report.

12.0 RISK ASSESSMENT

12.1 The continued review of the Risk Management Framework is essential to ensure the successful achievement of the Council's objectives, demonstrate effective provision of its services and the maximisation of opportunities. If we are unable to maintain an effective Risk Management Framework, we could endanger the achievement of our objectives. By continually monitoring and reviewing the Council's Risk Management Framework it should continue to improve, develop, meet best practice requirements and strengthen the Council's Corporate Governance Framework.

Background Documents

There are no background documents (as defined in section 100D(5) of the Local Government Act 1972) to this report.

Equality Impact Assessment

The decision does not have a direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix A – Risk Management Policy.
Appendix B – Risk Management Toolkit.