Risk Management Policy & Strategy

Version 2: January 2022

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1. Risk Management Policy Statement

This Policy Statement outlines the Council's commitment to managing risk which it acknowledges is fundamental to effective Corporate Governance. It should be read in conjunction with the Council's Risk Management Toolkit (separate document).

We recognise risk management as a vital activity that underpins and forms part of our vision, values and strategic objectives, (including operating effectively and efficiently), as well as providing confidence to our community. Risk is present in everything we do, and it is our policy to identify, assess and manage key areas of risk on a proactive basis. We seek to embed risk management throughout the operation, and in the development of West Lancashire Borough Council.

Risk management needs to be embedded throughout all processes, projects and strategic decisions. This includes procurement and contracting, and we will aim to ensure partnerships and third-party relationships are fully compliant with the risk management policy and strategy of the Council.

The aim of our risk management framework is to be fit for purpose, reflect our size and the nature of our various operations, and use our skills and capabilities to the full. Risk management is most effective as an enabling tool, so we need a consistent, communicated and formalised process across West Lancashire Borough Council.

It is important to define the level of risk exposure that the Council considers acceptable. This creates a clear picture of which risks will threaten the ability of West Lancashire Borough Council to achieve its objectives. This results in our risk appetite.

The risk management policy statement and supporting documentation form an integrated framework that supports us in managing risk effectively. In implementing our risk management framework, we provide assurance to all stakeholders that risk identification and management plays a key role in the delivery of our strategy and related objectives.

We will involve, empower, and give ownership to all staff to identify and manage risk. Risk management activity will be regularly supported through discussion and appropriate action by senior management. This will include a thorough review of significant risks, evaluating mitigation controls and where required, establishing supporting actions to reduce them to an acceptable level.

Managing risks will be an integral part of both strategic and operational planning and the day to day running, monitoring, development and maintaining of the Council.

Jacqui Sinnott-Lacey

Chief Operating Officer

West Lancashire Borough Council

Date: January 2021

2. Our Strategy

The purpose of the Risk Management Framework is to enable us to effectively manage potential opportunities and threats to us achieving our objectives.

Our aims are to:

- Have a robust framework in place to identify, assess and manage the risks facing the Council.

- Minimise the impact and/or likelihood of risks occurring and to minimise the total cost of risk.

- Have the ability to anticipate and respond to various changes.

- Make risk management an integral part of the planning and decision making processes of the Council, so that it is used as a component in all critical decisions.

- View risk management as not solely a compliance issue, but rather a way of viewing our strategy and operations with a significant impact on long-term viability.

- Develop a risk aware culture ensuring that employees understand the benefits of risk management and that they have the knowledge, skills and tools to embed risk management processes.

- Develop a more integrated risk management approach by identifying risk at all levels of the Council. In order to do this we must ensure that all staff, at all levels, operate with a greater understanding of the importance of risk mitigation in the fulfilment of their duties.

- Develop the use of risk management in our dealings with third parties such as through partnerships, contracts, and other new service delivery models.

In order to move towards a more formal, integrated and embedded approach, we recognise that such fundamental changes in approach and mind-set cannot be achieved 'overnight'.

It is acknowledged that fundamental to the success of risk management is that an according level of training is provided.

3. Risk Assessment

Risk can arise directly or indirectly from every action that we take, project that we deliver and contract that we enter. Risk assessment is therefore an integral part of all Council activity.

It is the Council's policy that all substantive activities should be subject to risk assessment. This includes all significant projects, for example, financial developments, legislative developments, human resource initiatives, health and safety, communication upgrades, partnerships and IT developments.

The Council's Risk Management Process, detailed in the Risk Management Toolkit, should be followed. The risk assessment part of the process requires the impact of each appropriate

classification category to be scored and plotted against the likelihood of the risk occurring. This is plotted on the Council's Corporate Risk Matrix to determine the risk score.

The score determines whether the risk sits within the Council's Risk Appetite and consequently the action that is required to be taken. The risk is then monitored and reviewed, and further action taken as appropriate.

4. Service Risk Registers

Services risks are operational risks which are faced in the day-to-day delivery of services. They are risks that could have an effect on the successful achievement of the service priorities, objectives, and activities. Managers are responsible for ensuring that all significant risks are included in service risk registers. Risks are entered onto the service register using Pentana, the Council's risk management information system. The risk register describes the risk event, identifies who the risk has been assigned to, who is responsible for managing the risk, potential effects, internal controls and an inherent, current and target risk assessment. Risks are deactivated when the risk no longer presents, and new risks added as soon as they are identified. Service risks are not deactivated without approval from the appropriate line manager.

5. Key Risk Register

This records those risks which if they occur, would have the greatest impact on the Council, the achievement of its priorities, objectives and activities. They are strategic high-level Council risks.

Key risks cannot be added or deactivated without agreement from the appropriate Head of Service.

6. Risk Ownership and Management

Every risk is assigned to an officer who has day to day responsibility of the risk and for updating the risk register, they are the risk owner. The risk manager is the designated member of staff (or management group) who carries the ultimate responsibility for ensuring that the risk is being effectively managed by the risk owner. The risk manager along with the risk owner is responsible for agreeing and delivering the action plan to control the risk and monitoring progress against it. This is a key element in the risk management process as it is crucial that risks are not just identified and assessed but that they are also effectively controlled and monitored.

Internal control is key to effective risk management and plays a significant part in the management of risks. Actions, procedures, and operations undertaken to transfer, terminate, tolerate or treat a risk are detailed on the Risk Register. Internal controls are scored as to their effectiveness and allocated to a control owner. Risk mitigation actions are referenced in the Service Action Plan.

7. Risk Reporting and Monitoring

Monitoring reports on risks are produced on a six-monthly basis for the consideration of Cabinet and Executive Overview and Scrutiny, and on a quarterly basis for the consideration of CMT.

Heads of Service are responsible for monitoring their service risk registers on a quarterly basis. They are also responsible for making sure that any key risks within their Service are added to and, when appropriate, removed from the key risk register.

8. Risks and the Decision-Making Process

Risks need to be addressed at the point at which decisions are being taken. Where Members and officers are asked to make decisions, they should be advised of the risks associated with the recommendations being made. Consequently, the Council needs to be able to demonstrate that it has taken reasonable steps to consider the risks involved in a decision.

All reports requiring key decisions, including new and amended policies and strategies, must include a section to demonstrate that risks have been addressed. This does not guarantee that decisions will always be right, but the important point is to demonstrate that risks have been considered and to have evidence that will support this.

9. Role of CMT & Members

- Approve the risk management policy & strategy, and framework.
- Review the key risks to the Council and the controls in place to manage those risks.
- Regularly review the risk management policy and toolkit to ensure it underpins the organisation's strategy and objectives.
- Agree on the risk appetite of the Council.
- Review the key risks across the Council, consider their importance against strategic objectives and action further controls.
- Allocate sufficient resources to address significant risks.
- Create an environment and culture where risk management is promoted, facilitated, and appropriately undertaken.
- Champion risk management activities and raise awareness of the benefits of managing risk effectively.

10. Role of Heads of Service

- Implement policies on risk management within their Service including ensuring that up to date risk registers are maintained.
- Review their service risk registers, as a minimum, on a quarterly basis to satisfy themselves that adequate controls for risks are in place.
- Review their service risk registers and ensure that key risks are added to and removed from the key risk register when appropriate.
- Review the risk management system to ensure that it is functioning effectively and that any further actions required are detailed in service action plans.
- Embed the importance of risk management within their Service and ensure that strategic risks are communicated to employees and that day-to-day operational risks are communicated to senior management.
- Determine the nature and extent of the principal risks we are willing to take in achieving our strategic objectives.
- Implement risk management systems to identify the risks we are facing and to make a robust assessment of the most significant risks.
- Determine how significant risks should be managed or mitigated to reduce the likelihood of their incidence and / or their impact.
- Carry out service risk assessments as part of service action planning.
- Ensure risk management processes and risk reporting procedures are completed.
- Monitor the key risks in their area of responsibility.
- Monitor and review the effectiveness of the actions.

11. Role of Senior Managers

- Manage risk effectively in their area of responsibility.
- Complete the risk management process as per the Council's Framework.
- Complete, track and monitor the progress of action plans and performance indicators.

12. Role of the Risk Manager

- Coordinate the organisation's risk management activity.
- Develop and maintain the risk management framework and tools.
- Highlight any significant new or worsening risks to the corporate management team for review and action.
- Assist in the delivery of the risk management process across the organisation.
- Provide risk management guidance, training and advice.
- Provide the link between risk management and other related disciplines
- Promote and share best practice risk management across the organisation.

13. Role of the Risk Management Working Group (RMWG)

Although every member of staff carries some responsibility for the management of risk, the Council identifies the Risk Management Working Group (RMWG) as responsible for maintaining and developing the Risk Management Framework. Heads of Service nominate Risk Management Champions to represent each service area on the RMWG.

The RMWG meets twice yearly and more frequently if required, to consider the following;

- Issues and improvements to the Risk Management Framework
- Risk management training requirements
- Risks facing the Council
- Disseminating good practice requirements for risk management,
- How to further improve and embed risk management culture within the Council, to support its decision-making process, strategies and operations.

14. Role of Risk Management Champions

The Risk Management Champion is responsible for maintaining and developing the Risk Management Framework within their Service, supported by the RMWG. The Risk Management Champion's role is to:

- Attend meetings of the RMWG or nominate a suitable substitute when unable to attend.
- Disseminate information discussed at the RMWG to their Service and feedback to the group accordingly.
- Support their Head of Service in implementing the Risk Management Framework within their Service.
- Raise any issues regarding risk management with the Risk and Insurance Officer.
- Advise the Risk and Insurance Officer if any risk management or Pentana training is required within their service.
- Give advice and guidance to managers/officers within their Service on preparing risk assessments for committee reports.
- Provide advice and guidance to those updating risks on the Pentana system.
- Help to promote and embed Risk Management within their Service to engage staff in the management of risk.
- Communicate the benefits of risk management across operational areas.

15. Role of Employees

Each employee has a role to take in the Risk Management Process and should;

- Be familiar with, understand, accept, and implement the Risk Management Framework.
- Report inefficient, unnecessary, or unworkable controls.

- Report loss events and near-miss incidents.
- Cooperate with management on incident investigations.
- Ensure that visitors and contractors comply with procedures.
- Monitor work on an ongoing basis to identify new and emerging risks and escalate as required.

16. Role of Audit

Internal Audit evaluate risk management processes continuously to provide assurance to Members and Senior Management that significant risks are being managed appropriately and that the Risk Management and Internal Control Framework is operating effectively. Our External Auditors may also conduct separate, independent reviews of the Risk Management Framework from time to time. The findings from this work will be included in the annual report to the Audit and Governance Committee.

17. Governance Arrangements

The Authority's Risk Management Framework is critically important in the context of governance and the Audit and Governance Committee has responsibility for ensuring that the Framework operates effectively.

The purpose of the Audit and Governance Committee is to support the Council's Corporate Governance responsibilities and to provide independent assurance in relation to internal control, risk management and governance. The Audit and Governance Committee has a strong focus on risk and internal control as well as on good financial management.

An annual report is produced for Cabinet, Audit & Governance and Executive Overview and Scrutiny Committee on the operation of the Risk Management Framework so that they can assess its effectiveness.

18. Skills, Expertise and Guidance

Having established roles and accountabilities for risk management, the Council must ensure that it has the necessary skills and expertise to deliver this Framework. This will be accomplished through an on-going programme of risk management training and development.

All documents relevant to Risk Management are available via the Council intranet http://intranet.westlancsdc.local/rules-and-regulations/risk-management.aspx which contains appropriate guidance to assist officers in carrying out their duties effectively.

A Risk Management Toolkit provides practical examples of how to apply the Risk Management Process.

Risk Management Training is mandatory for all Council employees and is included in the list of 'essential/required' training for Members.

19. Making Others Aware of Risk Management

The Council recognises the potential for benefits and rewards from partnership working and it also recognises the risks involved. Whilst this risk can be managed by the Council through formal contracts and partnership agreements that clearly allocate risks to the appropriate parties, failure by either or any one of those parties to manage their risks can have serious consequences for the other(s).

Consequently, before entering the partnership, joint working or business contract arrangements, prospective partners and contractors should be asked to state their approach to risk management and to provide certain minimum evidence to support their response.
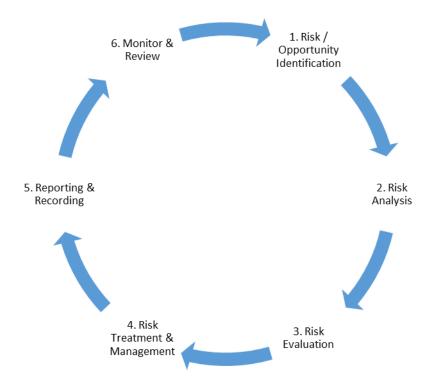
It is recommended that when entering partnerships, joint working or contracts with outside agencies that a project risk register is created and is maintained on the Pentana System until all associated risks are realised.

20. Maintenance and Development of the Risk Management Framework

This Risk Management Policy along with the Toolkit are reviewed on an annual basis. The results of this review will initially be reported to the Audit and Governance Committee and Executive Overview & Scrutiny Committee in January of each year for detailed consideration before being submitted to Cabinet for formal approval in March.

21. Risk Management Process

The Council's Risk Management Process has 6 key stages:

1. **Risk / Opportunity Identification** - Officers carry out risk / opportunity identification and examine all identified risks and link them to the appropriate Council, Service or project objectives and outcomes.

2. **Risk Analysis** – The size of the risk is analysed according to the likelihood of the risk occurring and the impact that the risk could have if it did occur. The purpose of risk analysis is to comprehend the nature of risk and its characteristics including, where appropriate, the level of risk. It involves a detailed consideration of uncertainties, risk

sources, consequences, likelihood, events, scenarios, and control effectiveness. The Council recognises that an event can have multiple causes and consequences that can affect multiple objectives.

3. **Risk Evaluation** -. Officers compare the results of the risk analysis with the Council's risk appetite to determine if and what additional action is required. This leads to a decision about treatment of the risk. The Council recognises that risk evaluation is critical to supporting decisions.

4. **Risk Treatment & Management** – Officers select and implement options for addressing risk. Risk treatment involves an iterative process of formulating and selecting risk treatment options, planning and implementing risk treatment, assessing the effectiveness of that treatment, deciding whether the remaining risk is acceptable and if not taking further treatment.

5. **Reporting & Recording** - The risk management process and its outcomes are documented and reported through appropriate mechanisms.

6. **Monitor & Review -** The purpose of monitoring and review is to assure and improve the quality and effectiveness of process design, implementation, and outcomes. It takes place in all stages of the process. Monitoring and review includes planning, gathering and analysing information, recording results and providing feedback.

Detailed information and guidance on each of these stages is documented in the Risk Management Toolkit.

22. Performance Management

The Council measures risk management performance against key performance indicators, which are periodically reviewed for appropriateness. It periodically measures progress against, and deviation from, the risk management plan and reviews the effectiveness of the risk management framework.

The success of the risk management framework is measured by a review of the risk maturity of the Council, with an aim to becoming gradually more mature.

23. Risk Appetite Statement

The Council defines Risk Appetite as the amount of risk it is willing to pursue or retain in pursuit of its objectives. The purpose of Risk Appetite is to set out the Council's attitude to risk and to provide consistency in the decision-making process. It details how much risk is acceptable and assists in identifying those risks that need to be managed.

Risk Appetite levels range on a scale from low to high depending on our willingness to accept either Inherent or Residual Risk. Inherent Risk is "the exposure arising from a specific risk before any action has been taken to manage it". Residual Risk is "the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective". The Risk Appetite helps us to determine our tolerance to individual initiatives, projects or programmes, which enable the delegation of risk management responsibilities, with clear responsibility thresholds and escalation paths.

Each risk is considered against the Risk Appetite for a number of categories. These Appetite Levels are defined in the Councils Risk Appetite Statement.

West Lancashire Borough Council Risk Appetite Statement

Key

Risk Type	Risk Appetite
Reputational	3
Legislative / Regulatory / Compliance	2
Financial	3
People	3
Health & Safety	1
Operational	2
Environmental	3
Physical Systems & Assets	3
Political	2

Ratings	Risk Appetite	Meanings
1	Low	Residual risk only acceptable in extreme situations (e.g. where the risk has a very low impact and likelihood)
2	Medium	Residual risk is managed down on a cost-benefit basis. A medium amount of risk is acceptable however, on balance, control is weighted higher than acceptance.
3	Significant	Residual risk is accepted to significant levels. Significant implies a pure cost-benefit approach.
4	High	Residual risk is accepted to high levels

The Council operates within a medium to significant overall risk range. The council's lowest risk appetite relates to Health & Safety risk, including employee health and safety, with a higher risk appetite towards its reputational, financial, people, environmental and physical systems and asset risks. This means that in general risks will be considered on a cost benefit analysis unless they involve health and safety, legislation, and compliance, political or operational risks where control is weighted higher than acceptance of the risk.

Reputational

The 'reputational' category refers to the risk of a significantly adverse or damaging perception of the Council by the general public and West Lancashire Borough residents.

Risk Appetite: The Council has a concerned approach with regards to any project or activity that would seriously threaten its reputation. It understands however that not all stakeholders will have the same opinion on projects, programmes of work and service delivery and so each project/ programme will be considered with regards to its reputational impact.

Legislative / Regulatory / Compliance

The "legislative / regulatory / compliance" category refers to the risk of successful legal action being taken against the Council, or of the Council breaching law in its activities and operations, and is also the risk of losses, possibly fines, and other sanctions arising from non-compliance with laws and regulations.

Risk Appetite: The Council is committed to a high level of compliance with relevant legislation, regulation, sector codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. The Council has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.

Financial

The "financial" category relates to the risk of financial pressures affecting the Council's ability to provide services.

*Risk Appetite***:** The Council is willing to take calculated financial risks in order to achieve its objectives, subject to legislation being complied with.

People

The "people" category relates to the risk of the Council's ability to attract and retain competent and motivated staff to achieve its objectives.

Risk Appetite: The Council is committed to investing in strategies to attract, manage, motivate, develop and retain competent staff to achieve its strategic goals. Activities that threaten to diminish its ability to meet this commitment require careful consideration.

Health & Safety

The "health & safety" category refers to the risk of hazards that can lead to the harm, injury, death, or illness of staff or citizens.

*Risk Appetite***:** The Council has zero tolerance for risk being taken with regards to health & safety.

Operational

The "operational" category refers to the risk of not being able to provide Council services and the effect that this has on customer satisfaction. It also relates to the risk of fraudulent activity occurring.

Risk Appetite: The Council places great importance on ensuring that its activities and services operate efficiently and effectively. There is a low appetite for any business interruptions that may jeopardise its standards of services, operations or could lead to a loss of satisfaction by its citizens, customers and stakeholders.

Fraud could arise from either internal or external parties who attempt to defraud the Council by circumventing its processes and controls, including those operated by our third-party providers (e.g. within our outsourced activities).

The Council has a commitment to high ethical standards and a desire to prevent and deter harm to its stakeholders. It seeks to limit the risks associated with fraud, particularly internal fraud and has a zero appetite for any fraud.

Environmental

The "environmental" category refers to the risk of an impact of any function, service, operation, project and programme upon the environment.

Risk Appetite: The Council has a strong interest in protecting and preserving the environment. There is a low appetite for activities which will significantly degrade the environment

Physical Systems & Assets

The "physical systems and assets" category refers to the risk to physical structures (buildings, facilities, locations, equipment, etc.) and systems e.g. IT, which ultimately support the provision of services.

Risk Appetite: In pursuing its objectives, the Council is open to taking a moderate degree of risk, and is prepared to accept major changes, upgrades, projects and programmes where these are intended to bring significant improvements to property, assets, facilities or services.

Political

The "political" category refers to the risk of disruption to objectives leading to intervention by political members and the impact of this upon political structures.

Risk Appetite: The Council has a low appetite to the disruption of any objective that would lead to the involvement of political members and cause political instability.

24.   Corporate Risk Assessment

Impact

Score	What is the worst that could happen?
Low	Minor loss, delay, inconvenience or interruption, very minor damage to reputation and very minor health & safety issues. Opportunity to innovate/make minor improvements to performance missed/wasted. Short to medium term effect.
Medium	Waste of time and resources. Good opportunity to innovate/improve performance missed/wasted. Moderate impact on operational efficiency, output and quality. Minor health & safety risk, short term damage to reputation. Medium term effect which may be expensive to recover from.
Significant	Major impact on costs and objectives. Substantial opportunity to innovate/improve performance missed/wasted. Significant impact on output and/or quality. Significant damage to reputation and moderate health & safety consequences. Medium to long term effect and expensive to recover from.
High	Severe / Critical impact on the achievement of objectives and overall performance. Critical opportunity to innovate/improve performance missed/wasted. Huge impact on costs and/or sustained damage to reputation. Major health & safety issues. Very difficult to recover from and possibly requiring a long term recovery period.

Likelihood

Score	Descriptors
Certain	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.
Probable	Likely, will probably occur in most circumstances. 50% - 80% chance.
Possible	Possible, might occur at some time. 20% - 50% chance.
Unlikely	Unlikely, but could occur at some time. Less than a 20% chance.

WLBC Impact / Likelihood Matrix

Likelihood		Impact			
		Low	**Medium**	**Significant**	**High**
	Certain	4	8	12	16
	Probable	3	6	9	12
	Possible	2	4	6	8
	Unlikely	1	2	3	4

Level of Concern	Action Required
Critical	Urgent attention required at highest level to ensure risk is reduced to an acceptable level. Action planning should start without delay. Progress on actions should be reported to the Chief Operating Officer and / or the Leader.
Concerned	Requires mitigation and a contingency plan. Report on progress to CMT.
Cautious	Acceptable level of risk however the risk requires mitigation /consideration. Reviewed at Head of Service level.
Comfortable	Acceptable level of risk. Keep under review but no action required unless changes occur.