



West Lancashire  
Borough Council

# Annual Risk Management Report

Produced by Rebecca Spicer, Risk & Insurance Officer

Dated: 30<sup>th</sup> December 2022.

# Annual Risk Management Report 2022 - Summary



3 new risk key performance indicators



Updated Corporate & Service Risk Registers with detailed internal controls



Increased external networking



Positive external review of risk management



Setting of the Council's risk maturity level



Updated guidance for report writing



Linked audit assurance on Pentana



Variety of online risk training packages available



Risk identification workshops



Quarterly risk newsletter: 'Risk Round Up'

Improvements have been made to the risk management framework to ensure that there is a clear, consistent, and embedded approach to risk management across the Council. Improvements include:

- An updated risk management policy & strategy
- Linked audit assurance on Pentana in cases where Internal Audit have undertaken an audit of a service area

To strengthen the risk framework, efforts have been made to ensure that there is accessible and updated information and tools available to officers. These include:

- Updated guidance for writing about risk in reports
- An updated risk management tool kit

To develop the risk culture and maturity of the organisation, a range of mechanisms have been developed to increase risk engagement, knowledge, skills, and officer's confidence when discussing risk. These include:

- Refresher risk training sessions for all officers and Members
- Risk toolbox talks
- The continuation of the Risk Roundup newsletter
- 6 monthly "lunch and learn" sessions on different risk topics
- A range of risk identification and support workshops available to all service areas who want to review and improve their risk registers
- Mandatory risk discussions at quarterly Departmental

The Risk Management Annual Report is a summary of the key risk management activities, outcomes, performance highlights and challenges which have occurred over 2022. The report draws upon key findings from the last year established through consultation activity, benchmarking activity, and review work.

## 1. External Risk Management Health Check

Zurich conducted an external review of the Council's risk management framework, positively concluding that there is evidence to demonstrate that the Council takes its risk management seriously, largely driven by senior officers and strategic risks.

### Positives Observed:

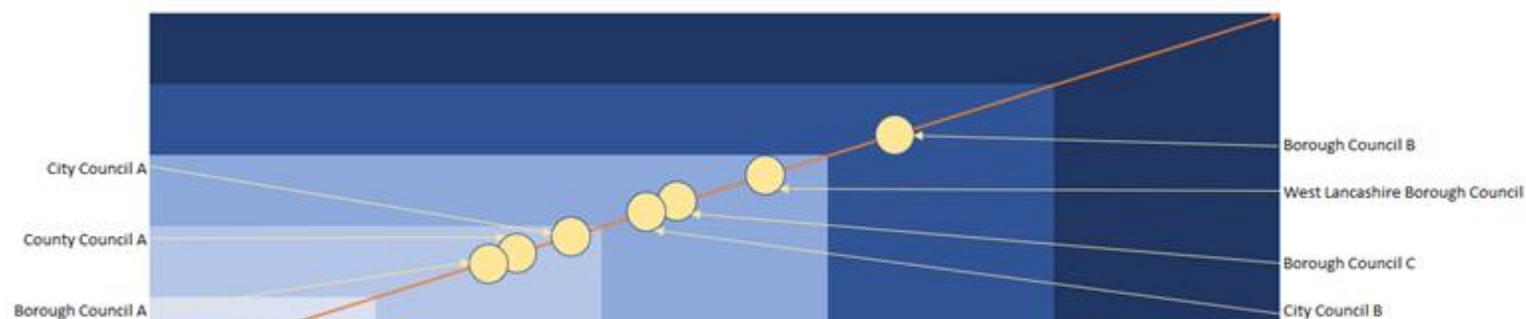
- Strong, clear, and consistent messaging from leadership around risk management.
- Embedded processes for corporate risks around review, escalation and monitoring from both officers and Members at the Council.
- Use of Risk Appetite to support review and decision making.
- A comprehensive suite of training material for staff, newsletters, webinars, including third party delivery of training.

### Development Opportunities:

- Operational risk management is behind the corporate risk management; it requires further work to embed a process and ensure risks are reviewed and reported at Head of Service level.
- Key person dependency on the Risk and Insurance Officer post holder, consider utilising a Risk Champions network within departments to support the Risk & Insurance Officer in managing the risk management process.
- Incorporate Risk Management into other areas of reporting and consideration, such as performance.

These development opportunities are fully acknowledged, and an action plan has been put in place to work strengthen our approach in these areas.

### Benchmarking against other Councils:



## 2. Risk Management Maturity

---

To measure the maturity of risk management, Zurich adopt a performance model which breaks down risk management activity into six categories that contribute towards effective risk management arrangements within an organisation. Zurich comment "given the complexity of services provided and the resources often available to support risk management within the public sector, a good score is considered at level 3, Managed, whilst most local authorities would be judged to be level 2, In Development."

### Zurich's Risk Maturity Assessment

**Risk Culture & Leadership** – Exploring the attitude that Senior Officers and Members take towards the role and priority of risk management. **Level 3 Managed: Senior management & Members take the lead to apply risk management across the organisation and a register of key strategic risks is maintained**

**Risk Appetite & Strategy** – Reviewing the extent to which the policies for risk management support the organisation and how the appetite for risk is considered and utilised. **Level 4 Integrated: The organisation has formalised its risk appetite, and statements exist for each principal risk category for practical use at key decision points.**

**Governance** – Establishing how assurance is provided to stakeholders, the effectiveness of reporting arrangements and how risk is managed within departmental areas. **Level 3 Managed: Formal reporting and assurance arrangements for risk management exist which are delivering value to the organisation and are consistently applied.**

**Methodology** – Assessing whether effective risk processes and tools are in place to support the organisation. **Level 3 Managed: Risk management processes are established and effective but are not being applied consistently across the organisation.**

**People & Training** – Evaluating the level of risk management skills, knowledge, and capacity across the organisation. **Level 3 Managed: A core group of people have the skills, knowledge, and capacity to manage risk effectively and implement the risk framework across the organisation**

**Projects, Partnership & Supply Chain** – Determining whether there are effective arrangements for managing risks within projects and with partners and suppliers. **Level 2 In Development: Approaches for managing risk in these areas exist but are currently being implemented or require development.**

## 3. Risk Management Key Performance Indicators

---

**Key Performance Indicators**, or KPIs, are a pertinent part of measuring the successes and failures of the risk management framework. KPIs allow the Risk & Insurance Officer, CMT, and Heads of Service to get an overview of how well the Council, or individual departments are managing risk.

- Staff who completed the risk management refresher training 2022 – 86%
- Risks with scored internal controls - 72%
- Risks assessed in the last quarter - 82%

## Risk Management Framework

- **Risk Management Policy & Strategy** This is a key document that provides a basis for a structured and coherent approach to the Council's risk management and includes its risk appetite, its methodology for identifying threats and opportunities, its strategy for developing risk maturity, and its corporate risk matrix. An updated risk management policy and strategy has been developed with the view to ensuring that officers have a clear and comprehensive document which supports risk management at all levels.
- **Corporate Governance Team** Risk management has moved from the finance team to form part of a new Corporate Governance Team along with Procurement, Audit, and Information Governance. The formation of this team has led to improved communication of key risks between the team and a more joined up approach to risk management between the Audit and Risk functions.
- **Pentana:** Improved Pentana system functionality has provided the opportunity for service managers to monitor their Service Plan Actions, Performance Indicators, Risks and Audit Actions through dedicated portals, creating a valuable management information tool that needs to be fully exploited. Pentana now provides an opportunity to enable the integration of Risk Management and Internal Audit assurance within the action planning and performance monitoring processes in support of the Council demonstrating continuous improvement
- **Risk Maturity Model:** Progress has been made regarding the implementation of a Risk Maturity Model which will continue into 2023.

## Tools and Techniques

To improve the consistency of risk management across service areas and ensure that interdependencies are identified and tracked effectively, several changes have been made throughout the year.

- **Risk Management Toolkit:** The risk management toolkit has been updated so that visually it is much easier to read. It now contains more advice on topics such as risk identification techniques, the wording of risks, and setting key performance indicators.
- **Risk Reporting:** In addition to the regular reporting of key and critical risks to CMT, a list of officers who are not updating risks every quarter is circulated.
- **Update to the Green Guide:** The entry in the Green Guide in relation to report writing has been updated so that more information regarding risks is available in reports that require decisions to be made. This includes the introduction of a visual risk matrix, scoring the risk. This will help decision makers make more informed decisions on policies and service delivery options. Decision makers need to be satisfied that the risks and opportunities related to proposals have been fully considered.

## Risk Communication & Awareness

- **Risk Training Sessions & Webinars:** Live and pre-recorded sessions have been delivered alongside bespoke team training workshops, and 6 monthly risk "lunch time learning" sessions on a variety of risk topics. Annual refresher training for Members and officers continues.
- **Risk Newsletter:** The "Risk Round Up" continues to be circulated to all Members and staff with the aim of sharing important news stories, risk trends and updates.
- **Risk Discussion at DMTs:** Risk is a mandatory agenda item at service Departmental Management Team Meetings (DMTs). The Risk & Insurance Officer is regularly invited to attend some DMT's to discuss risk.
- **Risk Management Intranet Page:** Houses all risk webinars, details of service risk management champions, newsletters, and key risk documents.
- **Networking:** Several risk networking groups have been joined, and the Risk & Insurance Officer has set up a local networking group for risk managers. The group presents an opportunity for risk managers to discuss challenges and pitfalls so that all can overcome them. New ideas on how to improve risk frameworks are brainstormed, challenged, and stress tested with these small groups of risk managers.

## 4. Key Activities & Performance Highlights

## 5. Audit Comments

---

The overall assessment of risk management arrangements cited in the Head of Internal Audit's Annual Report and Opinion 2021/22 is as follows:

During the year a significant amount of work has been undertaken to further embed Risk Management in the Council. The Risk Management Policy and Toolkit was reviewed and updated during the year and presented to the Audit and Governance Committee for approval. Staff and Members have received training by the Risk and Insurance Officer and a range of training information and videos are readily available to staff and members to access on the Risk Management intranet page.

All Council risks are recorded on the Pentana Risk system, and these are routinely monitored, updated as and when required and reported on by risk owners/champions. Key risks are reported to the Executive Overview and Scrutiny Committee and Cabinet every six months which gives members the opportunity to review and if required challenge.

Work will continue into 2022/23 to build on all the good work and progress that has been made during 2021/22. This will include an external assessment of Risk Management in the Council by the Council's insurers.

## 6. Aims & Objectives for 2023-24

---

There are several aims for the 2023-2024 period that the Risk & Insurance Officer is working to progress.

- **Develop Risk Maturity:** Actions from the external review will be implemented to improve the framework and further develop the Council's risk management maturity.
- **Alignment of Risks to the Corporate Plan:** There will be detailed consideration of the risks associated with delivery of the Corporate Plan. This will ensure a clear connectivity between the achievement of the plan and strategic risks/opportunities.
- **Data and Performance Monitoring:** Where relevant, the Risk & Insurance Officer will continue to align the monitoring of risk with performance indicators to strengthen risk management.
- **Risk Culture:** We will continue to embed the importance of risk management at every level of the authority and encourage staff not to view risk management in silos, but to understand how a risk in their service area may affect other services and the Council's achievement of its overall aims, objectives, priorities, and vision.
- **Project Risk Management:** To develop the use of project risk registers and gain a better understanding of third-party risk management in the delivery of our project objectives. This is fully supported by the Business Transformation and Change Team who are working with the Risk & Insurance Officer to strengthen officer's understanding of project risk management.
- **Third Party Risk:** Risk Management is a critical and continuous process, and appropriate Risk Assessments should be undertaken, reviewed, and managed throughout the procurement journey. Risk management must become an integral part of the procurement process. It is important to understand the risks associated with contracts and the methods and tools that contractors have in place for managing risk. The Procurement Manager has outlined the same vision and both teams are fully committed to working together to strengthen third party, and contract risk management.
- **Partnership Risk:** Undertake further work to understand the shared risks within partnerships, maintaining joint risk registers with key partners to monitor key issues.
- **Embedding Operational Risk Management:** To concentrate on embedding operational risk management practices to support the strategic risk management approach. Building the links between strategic and operational risks and engaging all staff, particularly managers, in the importance of risk management and the effectiveness good risk management can have on achieving operational objectives.