EXECUTIVE OVERVIEW & SCRUTINY COMMITTEE: 23rd February 2023

CABINET: 7th March 2023

Report of: Head of Finance, Procurement & Commercial Services

Relevant Portfolio Holder: Councillor A Yates

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SUBJECT: RISK MANAGEMENT FRAMEWORK UPDATE & KEY RISK REGISTER

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 Policy & Strategy, and Toolkit.

1.3 To share the findings of an external risk review.

1.4 To set out details on the key risks facing the Council and how they are being managed.

2.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW & SCRUTINY COMMITTEE

2.1 That the continuing effective operation of the Risk Management Framework as detailed in the Risk Management Annual Report 2022 (Appendix A) be noted.

2.2 That the proposed amendments to the Risk Management Policy & Strategy (Appendix B) and Toolkit (Appendix C) be considered and agreed comments be forwarded to Cabinet for consideration.

2.3 That the findings of the external risk management review, set out in paragraph 7 of the report, be noted.

2.4 That the progress made in relation to the management of the risks shown in the Key Risk Register (Appendix D) be considered and agreed comments be forwarded to Cabinet for consideration.

3.0 RECOMMENDATIONS TO CABINET

3.1 That the continuing effective operation of the Risk Management Framework as detailed in the Annual Risk Management Report 2022 (Appendix A) be noted.

3.2 That, subject to consideration of the minute of the Executive Overview & Scrutiny Committee (Appendix E), the proposed amendments to the Risk Management Policy & Strategy (Appendix B) and Toolkit (Appendix C) be approved.

3.3 That the findings of the external risk management review, set out in paragraph 7, be noted.

3.4 That subject to consideration of the minute of the Executive Overview & Scrutiny Committee (Appendix E), the progress made in relation to the management of the risks shown in the Key Risk Register (Appendix D) be noted and endorsed.

4.0 BACKGROUND

4.1 The Council continues to recognise the importance of identifying, evaluating, and managing all key and service risks that could affect the achievement of its vision, priorities, and activities. Risk management is fundamental to the Council's governance and contributes greatly to the successful delivery of services, and the key priorities.

4.2 Dealing with risk is very much a management activity but there is clear responsibility and accountability for Members in the operation of the Council business which directly involves issues of risk management. This report provides Members with an oversight of the effectiveness of the risk management framework and enables Members to seek assurance about the effectiveness of control arrangements.

4.3 Central to the operation of an effective framework are the Council's Risk Management Policy & Strategy, and Toolkit. These documents are reviewed annually, and changes made to improve the documents where appropriate. Members are requested to approve both documents on an annual basis. The external review that took place in 2022 provides recommendations as to how the framework can operate more effectively and provides assurance on the Council's risk maturity level.

4.4 Within this report is a summary of the management of the key risks so that Members may satisfy themselves that the risks are being adequately managed. The Key Risk Register is reported to Members on a biannual basis.

5.0 RISK MANAGEMENT ANNUAL REPORT

5.1 The 2022 Risk Management Annual Report (Appendix A) highlights the positive improvements to risk management that have been made over the last 12 months. These include an updated policy & strategy, and toolkit, a suite of training webinars, the increase of scored internal controls, the setting of key performance indicators, setting of the Council's risk maturity level, and an increase in external risk networking.

5.2 The report highlights the aims and objectives for 2023/24 which include developing the Council's risk management approach to support project delivery and in our dealings with third parties, and to concentrate on embedding operational risk management practices to support the strategic risk management approach. We will focus on building the links between strategic and operational risks and engaging all staff, particularly managers, in the importance of risk management and the effectiveness that good risk management can have on achieving operational objectives.

5.3 The findings of the external risk management report are detailed within the Annual Report and are discussed further at section 7 of this report.

6.0 CHANGES TO THE RISK MANAGEMENT POLICY & STRATEGY, AND TOOLKIT

6.1 The Risk Management Policy & Strategy (Appendix B) and Toolkit (Appendix C) continue to be reviewed to ensure that they reflect best practice, new developments, and organisational change.

6.2 Both documents have been reviewed and improvements have been made to ensure that they remain fit for purpose and "user friendly."

6.3 The Council's Risk Management Strategy is updated annually and contains our priorities for the following year. It outlines our aims for risk management and is supported by a detailed action plan of work.

6.4 The updated Policy & Strategy contains new sections on risk escalation, and risk maturity.   Following Zurich's review, the Council's maturity level has been set.

6.5 Feedback from officers suggested that the Toolkit was too large of a document to read through, so it has been updated and split into easy-to-read sections. It now contains risk identification techniques as officers communicated that they found it difficult to know where to start with the risk identification process. New sections include how to integrate risk with projects, programmes and third parties, and how we can look to further develop the risk culture of the Council.

7.0 EXTERNAL RISK REVIEW

7.1 Matthew Hardwick of Zurich Municipal was instructed to perform a "health check" of the Council's risk management arrangements. The findings are based on interviews with the Risk & Insurance Officer, CMT, and other key members of staff. The consultant carried out a review of current policies, procedures, and the way in which staff use Pentana.

7.2 The findings of the report are positive with the Council obtaining an overall risk maturity rating level of 3, Managed. Zurich comment that 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.

7.3   Against the 6 assessed categories we scored 3 level 3's – Managed, 1 level 4 – Integrated, and one level 2 – In Development. In summary the scores are detailed below:

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.

7.4   With regards to how we benchmark against other Councils, the diagram below which is included within the report illustrates that we have made good progress. This figure gives an indication as to where Zurich consider West Lancashire Borough Council to be amongst a small group of its peers who have undertaken a similar health check exercise with Zurich in the last 12 months. The middle line represents the maturity curve.

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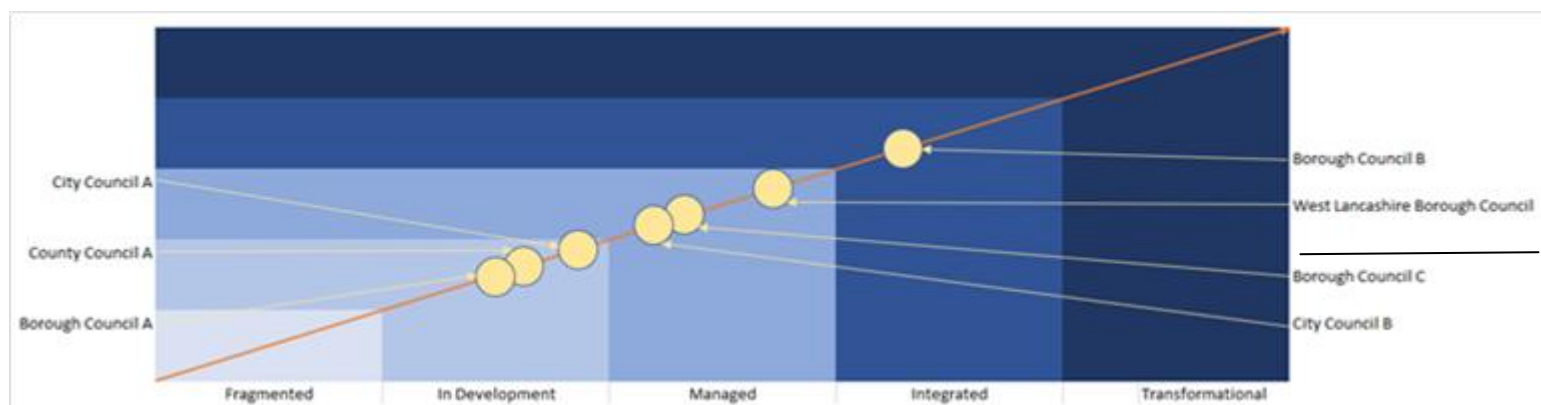
7.5 The report positively concluded that there is evidence to demonstrate that the Council takes its risk management seriously, largely driven by senior officers and strategic risks.

7.6 Several positives were highlighted in the report, these being;
- 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 including newsletters, webinars, and third-party delivery of training.

7.7 A number of development opportunities were highlighted, these being;
- 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.

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


8.0 KEY RISK REGISTER

8.1 It is considered good practice to include an update to Members periodically on progress against key risks. This monitoring should summarise general direction of travel to clearly demonstrate the progress being made on specific risk items. If all is well then no discussion may be required; if all is not well then it is easy to identify the issues to pursue.   As part of the Council's risk management framework, key risks are reviewed quarterly by CMT.

8.2 Service risks are reviewed quarterly by Heads of Service. It is not necessary for Members to know about every risk but rather to know what the key risks are, whose job it is to deal with them, and that they are being actively managed.

8.3 Key risks are those risks which if they occur would have the greatest impact on the Council, the achievement of its vision, priorities, and activities. They are strategic high-level Council risks. The Key Risk Register (Appendix D) gives a summary of these risks, the residual risk score and the work that is being undertaken to mitigate them, although many of these risks will have already been the subject of separate committee reports. In addition, more detailed information regarding each of the key risks, the scoring and internal controls that mitigate the risk are contained on the Council's Pentana system.

8.4 The assessment methodology used to score the risks is detailed in the Risk Management Policy (Appendix B) at section 14, pages 13-14.

8.5   A new risk in relation to the cost-of-living crisis has been added to the register
        since it was last presented.

8.6   No risks have been removed from the register since it was last presented.

8.7   Unless detailed in the table below the scoring of the risks on the Key Risk
        Register remains unchanged from the last report presented 6 months ago.

Title of Risk	Previous Risk Score	Current Risk Score	Reasoning
Landlord Compliance & Regulatory Requirements	8 Concerned	4 Cautious	Compliance has increased. Audits have completed for 2022 and recommendations from the audits have been implemented. All policies and procedures have been reviewed to incorporate current and new legislation. Risk assessment and testing programmes have been put in place.
Planning Services Staff Resources	9 Concerned	4 Cautious	The strategic planning team structure has now been fully recruited. Vacancies have also been filled in Development Management but still exist in some of the more senior planning officer posts, but this workload is currently being addressed through agency staff.
Community Infrastructure Levy	9 Concerned	4 Cautious	Recruitment to the strategic planning team has been successful. Key posts, including CIL Officer, are now in place. The CIL process is also being supported by an additional temporary resource, until the end of the financial year, to address any shortfall. Plans are in place to address any remaining related risks.
Delays in Preparation of New Local Plan	6 Cautious	4 Cautious	The strategic planning team structure has now been fully recruited. A report was presented to CMT on 26 October 2022 outlining key risks with preparation and adoption, updating the timetable associated with the Local Plan. The Local Plan Cabinet Working Group has recommenced, the first meeting was 1st February. Whilst there has been delay in the Local Plan timetable, work has now re-commenced and with new staff will begin to accelerate.

8.8   There are currently no key risks that fall into the "critical" category. An overview
        of risk scoring is detailed in the diagram below.
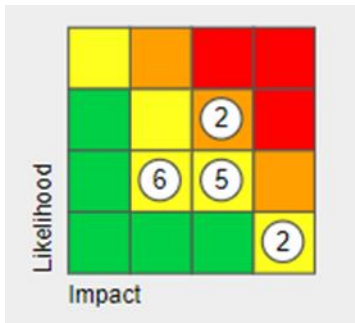
9.0 SUSTAINABILITY IMPLICATIONS

9.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

10.0 FINANCIAL AND RESOURCE IMPLICATIONS

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

11.0 RISK ASSESSMENT

11.1 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 framework, we could endanger the achievement of our vision and priorities. By continually monitoring and reviewing the risk management framework it should continue to improve, develop, and meet best practice requirements.

12.0 HEALTH AND WELLBEING IMPLICATIONS

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

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 Annual Report 2022
Appendix B – Updated Risk Management Policy & Strategy
Appendix C – Updated Risk Management Toolkit
Appendix D – Key Risk Register
Appendix E – Minute of the Executive Overview & Scrutiny Committee – 23 February 2023