Wiltshire Council

Audit & Governance Committee

23 July 2024

Risk Management

Purpose of Report

1. To provide an update on the Council's risk management framework and assurance to the Audit and Governance Committee that the Council's risk management process is in place and functioning correctly.

2. To provide an update on the Council's transition to the new Risk Management Policy, following its approval by Cabinet in May 2024.

3. To update the Committee on further progress made implementing recommendations from the Internal Audit Action Plan.

Relevance to the Council's Business Plan

4. This report directly supports the Council's Business Plan mission to have an efficient, and healthy organisation, particularly having a robust corporate planning cycle including performance and risk management.

Background

5. In its May 2023 meeting, the Audit and Governance Committee requested a review of risk appetite categories, with a view to having more granular risk appetite levels to apply to operational risks.

6. During 2023 an internal audit was undertaken of the Council's risk management processes. Progress against implementation of the agreed action plan was last reported to February 2024's Audit and Governance Committee meeting.

7. In its February 2024 meeting, the Audit and Governance Committee reviewed and provided feedback on a proposed risk management policy for the Council.

8. In May 2024 the Overview and Scrutiny Management Committee received a briefing on the new Risk Management Policy, to support their role in quarterly scrutiny of risks and risk mitigations.

Main Considerations

Risk Management Framework

9. A new Risk Management Policy was approved by Cabinet in May 2024 (Item #66). The policy provides the framework within which risks are identified, monitored and mitigated within the Council.

10. The policy provides the detailed instructions for how risks should be managed, ensuring improved consistency across directorates in how risks are identified, defined, scored, escalated, reported on, and closed.

11. The policy also sets out the Council's approach to risk appetite, defining five appetite levels that articulate the amount of risk the Council is willing to tolerate for different types of risk. Appetite levels have been applied to 14 new categories, including three operational categories: 'operations – minimalist', 'operations – cautious', and 'operations – open'. This allows a more granular application of risk appetite to different types of risk and recognises that some services may have a lower tolerance for risk than others.

12. Risks are now scored on a 5x5 scoring matrix, replacing the previous 4x4 matrix. This allows for a more detailed assessment of risk scores and also better aligns the Council's risk processes with our partner organisations. Examples have been developed to assist officers in determining the likelihood and impact scores of risks. As a result of the expanded risk matrix, risk scores are now assigned to 5 different levels, ranging from very low to very high.

Roles and Responsibilities

13. Within the policy roles and responsibilities are defined and aligned to the Council's constitution. Responsibilities are also mapped to the three lines of defence approach recommended by CIPFA and set out in Protocol 9 of the Council's constitution.

14. Within this model, the first line of defence is direct responsibility for identifying, owning, monitoring, managing and mitigating risks, which rests with officers and is led by directors and heads of service, with responsibility for strategic risks resting with the Corporate Leadership Team.

15. At the operational level, risks will form a standing agenda item at Performance Outcome Board (POB) and Performance Outcome Group (POG) meetings. Risks are also managed within Directorates through Senior Management Team meetings, and at designated workshops.

16. The second line of defence are the functions that oversee the management of risks, including the Corporate Leadership Team, Cabinet, and Overview and Scrutiny Management Committee.

17. Cabinet's role is to have executive responsibility for risk management, and to hold the Corporate Leadership Team to account for the effective management of risks by officers. To do this Cabinet receives quarterly reports on strategic risks, typically reported alongside corporate performance indicators to its February, May, September and November meetings. The new policy also allows for exception reporting of corporate risks – those where mitigations are fully implemented but scores remain above appetite or are high/very high, or where current risks scores have increased rapidly since the previous report. Future reports will be mapped to the Council's Business Plan missions.

18. Overview and Scrutiny Management Committee's role also sits under the second line of defence, and is to provide additional review, scrutiny and challenge of the quarterly Cabinet risk reports, providing independent checks and balance on the risks and how they are being mitigated.

19. The Strategic Risk Working Group also has a role under the second line of defence, with a role to ensure that policies and frameworks remain current and aligned with best practice in the sector. The Working Group also has a role in scrutiny, beyond that seen in Performance Outcome Groups, to provide high-level linkage between Directorates in

identifying strategic risks as well as opportunities. The Strategic Risk Working Group feeds into the Corporate Governance Group.

20. The third line of defence has independence from operational risk management and provides objective evaluation of the adequacy and effectiveness of the framework of governance within which risks are managed, as well as providing assurance on the effectiveness of mitigating controls.

21. Audit and Governance Committee's role sits under the third line of defence, and is to ensure the effectiveness of the framework within risks are managed, rather than scrutiny of the risks themselves. The Committee has non-executive lead responsibility for governance reporting arrangements in relation to risk management (Protocol 10, area 7), and is responsible for monitoring and reviewing the effective development and operation of corporate governance and risk arrangements.

22. To provide this assurance the Audit and Governance Committee receives annual reports on the effectiveness of the risk management framework. The Committee was also provided with an opportunity to review and comment on the draft risk management policy, with feedback incorporated before the policy went to Cabinet for approval.

23. Members of the Audit and Governance Committee are able to challenge the strategic risks themselves through attendance at either Cabinet or Overview and Scrutiny meetings.

24. Also sitting under the third line of defence are both internal and external audit functions, which provide additional independent assurance on the overall adequacy and effectiveness of the framework of governance and of risk management policy and processes.

25. Internal Audit also provides independent assurance and consulting activities on Council processes, risks and controls. The Internal Audit programme of work is aligned to the Council's strategic risks and/or corporate risks, independent assessment of key risk areas in the UK Public Sector, horizon scanning and individual audit requests by senior management.

26. The final third line of defence are the external assurance bodies that provide independent expertise and scrutiny to ensure that suitable controls are being effectively implemented for specific services, such as Ofsted, CQC, HMIP and housing ombudsman inspections.

Transition to the New Policy

27. Following approval of the new Risk Management Policy, a programme of advocacy and guidance has supported officers in transitioning risks to the new framework.

28. A series of 'how to' guides are now available on the Council's updated internal risk management intranet page, providing user-friendly guidance on different aspects of risk management, including worked examples and tools to assist in identifying, creating, scoring and mitigating risks.

29. A briefing has been provided to the Heads of Service forum, and presentations offered to Directorate SMTs. The Corporate Support Manager with responsibility for performance and risk has already delivered ten talks, has facilitated workshops to

identify and review risks within directorates, and has provided one-to-one support to a number of officers upon request.

30. To fully implement the new policy, all risks need to be assigned to new risk categories, in order to determine the appetite level for the risk, and also re-scored on the new 5x5 scoring matrix. Officers have been asked to complete this work by the end of July 2024.

31. Engagement from Directors, Heads of Service and officers with the new policy has been positive, with a number of directorates using the transition as an opportunity not only to review and re-score existing corporate risks, but to conduct a wider review of gaps and risks, rebuilding from the ground up.

Strategic Risks

32. The new Risk Management Policy formalises the tiers, or levels of risk register, at which risks sit. At the top of this structure are the Council's strategic risks, the significant risks that would impact across the Council or would impact the Council's ability to achieve its strategic priorities.

33. Below this are corporate risks, those important risks that would impact across a whole directorate. Finally, at the operational level are service and change related risks (projects, programmes, transformation and contract risks), which are more specific to the operations of a service or process.

34. The new policy makes links between strategic risks, which encapsulate the overall risk to the whole Council, and related corporate or service level risks. Although sitting at lower tiers, these risks would have a greater collective impact should multiple similar risks become issues at the same time. Examples of these types of risks relate to staffing recruitment and retention, or adaptation to climate change.

35. A review of the Council's strategic risks is currently being undertaken, under the oversight of the new Strategic Risk Working Group. This aims to ensure that strategic risks are appropriately defined, captured and reported. Following approval by CLT, the revised strategic risk register aims to be reported to Cabinet in September.

Internal Audit Action Plan

36. Since the last report to the Audit and Governance Committee in February, further progress has been made implementing agreed actions in the Internal Audit Action Plan.

37. Most actions are now complete. Approval of the new Risk Management Policy, and provision of new guidance and support, met the requirements of a number of findings.

38. Outstanding actions reflect longer-term timescales required to develop new online training for all officers, and to explore alternative software solutions for risk registers, which is already in progress.

Future Work

39. Work continues to implement the new Risk Management Policy and to improve risk management processes across the Council.

40. The format of the strategic risk summary reported to Cabinet is being updated to incorporate feedback from our external auditors, Grant Thornton, including mapping of strategic risks to the Business Plan and alignment with the new Risk Management Policy.

41. The Strategic Risk Working Group will ensure that the Internal Audit Action Plan is fully implemented and will seek to establish a new operational risk working group, aimed at sharing best practice and ensuring consistency in risk management across the Council.

42. As noted above, the Strategic Risk Working Group is undertaking a review of strategic risks to ensure that they best reflect the Council's risk profile and capture significant threats to the Council's strategic ambitions and priorities.

43. Work to implement the new Risk Management Policy has encouraged a renewed focus on service level and emerging risks, with new and emerging risks being identified in team workshops across Directorates.

44. Alternative software solutions are being explored for use managing risk registers, to improve processes for monitoring risk mitigations, to meet demand for more mature and sophisticated risk management processes, and to improve linkage between tiers of risk register.

45. A re-audit by the South West Audit Partnership has been requested, with an aim to confirm that risk management processes have been suitably improved, and to identify future avenues for ongoing improvement.

Overview and Scrutiny Engagement

46. As described above, the role of the Audit and Governance Committee, in relation to the risk management process, is to monitor and review the effective development and operation of risk management. Review of the risks themselves (the contents of the risk registers) is the responsibility of the Overview and Scrutiny Management Committee.

47. As previously noted, the Overview and Scrutiny Management Committee received an online briefing on the new Risk Management Policy in May 2024. This aimed to explain changes in how risks are being managed to support the Committee's role in understanding strategic risk reports and scrutinising the risks themselves.

Safeguarding Implications

48. This report covers internal processes and how information relating to risks is managed within the Council, rather than the risks themselves. There are no safeguarding implications as, although some of the risks identified may relate to safeguarding, the purpose of the Risk Policy and risk management processes is to ensure that all risks, including those relating to safeguarding, are identified and that appropriate mitigating actions are put in place.

Public Health Implications

49. There are no public health implications as, although some of the risks identified may relate to public health, this report covers internal processes and how information relating to risks is managed within the Council, rather than the risks themselves.

Procurement Implications

50. There are currently no procurement implications. However, an agreed action in response to the Internal Audit Action Plan is to explore alternative methods to using Excel for risk management. Advice will be sought from the Strategic Procurement Hub if any potential specialist risk management systems are identified.

Equalities Impact of the Proposal

51. An Equality Impact assessment (EqIA) has been completed on the proposed Risk Management Policy. A low equality risk score was calculated, with the only identified impact relating to accessibility of the document.

52. Care has been taken to ensure that the document complies with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018: The move away from the traditional traffic light system of using red and green ensures that colours and contrasts can be differentiated between by those with visual impairments. The colours chosen are based on the Office for National Statistics recommendation for visualising categories with an order.

Environmental and Climate Change Considerations

53. Although some risks identified may relate to the environment and climate change, this report covers internal processes and how information relating to risks is managed within the Council, rather than the risks themselves. This report therefore has no direct implications for energy consumption, carbon emissions, or associated environmental risk management.

54. However, environmental and climate change considerations have been incorporated into the examples for scoring risk likelihood, acknowledging that although the effects of climate change will be felt over longer timescales, whilst actions to mitigate them will be required in the shorter term.

55. A new environment category has been created, allowing for a designated risk appetite level to be assigned to environmental risks. The environment risk category has also allowed for examples of different levels of impact to assist with scoring environmental risks.

Workforce Implications

56. Officers responsible for risks, either as risk owners or with responsibility for reviewing risk scores and updating risk registers, have been asked to review and re-score risks on the new 5x5 scoring matrix. This work is being conducted within existing capacity as part of their responsibilities for risk management.

57. Development of guidance and provision of support to assist officers has been supported by existing workforce capacity within the Executive Office.

Risks that may arise if the proposed decision and related work is not taken

58. No decision is required as this report seeks only to update the Committee.

59. However, ineffective risk management processes may result in uninformed decision making or unforeseen exposure, resulting in failure to achieve key priorities and objectives.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

60. As no decision is required there are therefore no risks associated with accepting this report.

Financial Implications

61. No additional budget is currently required to transition to the new Risk Management Policy, nor to continue implementation of the Internal Audit Action Plan.

62. It is noted that a well-functioning risk management framework has the potential to reduce insurance claims and lower renewal premiums.

Legal Implications

63. Risk management is integral to the Council's corporate governance arrangements set out in Protocol 9 of the Council's Constitution.

64. In addition, Part 3 of the Council's Constitution assigns responsibilities for risk management to the Council Leader and to the Cabinet Member for Finance, Procurement, IT and Operational Assets.

65. Further, Part 9 of the Council's Constitution assigns specific responsibilities for risk management to the Chief Finance Officer and to the Director of Legal and Governance.

66. As part of the Council's role in the Local Resilience Forum, we have a legal responsibility with other Category 1 responders including Police, Fire, Environment Agency and others to plan and prepare for taking a co-ordinated approach to emergency events and regularly assess the risk of an emergency occurring.

Options Considered

67. There are no proposals arising from result of this paper as it provides an update from the Executive Office to the Audit and Governance Committee.

Proposals

68. To note the status update on the Council's risk management framework.

Perry Holmes, Director of Legal and Governance

Report Author: Catherine Pink, Corporate Support Officer, catherine.pink@wiltshire.gov.uk.

July 2024