Wiltshire Council

Audit & Governance Committee

7 February 2024

Risk Management

Purpose of Report

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

2. To request feedback from the Committee on a draft of the updated Risk Policy, ahead of its approval by Cabinet.

3. To provide an update to the Committee on a review of risk categories and appetites.

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

Relevance to the Council's Business Plan

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

Background

6. Risk processes are currently operating under the existing Performance and Risk Management Policy. This policy was last approved in 2019 and is therefore due a review and update. A draft of a new policy has been scheduled to come to February's Audit and Governance meeting.

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

8. In early 2023 an internal audit of risk management processes was undertaken of the Council's risk management processes. Progress against implementation of the agreed action plan was reported under item 56 to November's Audit and Governance Committee meeting.

Main Considerations

Risk Policy

9. Risk processes are currently operating as part of a combined Performance and Risk Policy 2019 (Appendix 1, plus separate guidance in Appendix 2). However, due to quantity of changes needed in order to meet the recommendations of the Internal Audit risk has been separated into a specific risk policy. A draft of this new risk policy is provided in Appendix 3.

10. The revised risk policy is based on national best practice, include guidance published by the UK government's 'orange book' series, ALARM, the Institute of Risk Management, and HM Treasury, as well as advise from risk managers in other government organisations.

11. The following substantive changes have been made to the Risk Policy:

12. Roles and responsibilities are now mapped to the three lines of defence approach recommended by CIPFA and set out in Protocol 9 of the Council's constitution (paragraphs 19-21 of Appendix 3).

13. The current 4x4 matrix for scoring risks has been replaced by a 5x5 matrix (paragraph 64 of Appendix 3), which allows for a more granular assessment of risk scores. Research has found that most other local authorities use 5x5 matrices, as do the majority of external organisations that the Council works with, which will make mapping of risks for joint projects and contracts an easier process in future.

14. As a result of the expanded risk matrix, risk scores will now be assigned to 5 different levels, ranging from very low to very high, replacing the current three levels (paragraph 63 of Appendix 3).

15. Definitions of all aspects of risk management have been expanded, clarified and improved, with new sections on tiers of risk (paragraphs 30-34 of Appendix 3), risk registers (paragraphs 26-29 of Appendix 3), emerging risks (paragraphs 42-48 of Appendix 3) and opportunities (paragraphs 49-54 of Appendix 3).

16. Criteria have been established for escalating risks (paragraphs 91-96 of Appendix 3), reporting on (paragraphs 97-106 of Appendix 3), and closing risks (paragraphs 107-108 of Appendix 3), allowing these processes to be standardised across the Council.

17. New risk categories have been created (paragraphs 65-67 of Appendix 3), allowing for more granular applications of risk appetites and a greater range of example impacts to be developed, to assist officers in scoring risks.

18. Consultations with officers across the Council are ongoing, and feedback from them and from this Committee will be incorporated into the final version of the policy.

Risk Appetite

19. A review of risk appetite categories and scores was requested in May by the Audit and Governance Committee.

20. In order to apply risk appetite at a more granular level, it was first necessary to expand the number of risks categories. The current 6 categories were therefore replaced by 12 new categories, based on both the existing categories and those given as examples in the government's 'orange book' guidance.

21. Five new appetite levels (averse, minimalist, cautious, receptive and eager) have been developed to help articulate what levels of appetite will be tolerated (paragraph 70 of Appendix 3). These new appetite levels were then applied to the new categories, and from this maximum risk scores were assigned to each score to give the proposed new appetite scores to apply to risks (paragraph 74 of Appendix 3).

22. For the operational risk category, three appetite levels were applied: 'operations – minimalist', 'operations – cautions', and 'operations – open', allowing a more granular application of risk appetite to different types of operational risks, recognising that some services may have a lower tolerance for risk than others.

Internal Audit Action Plan

23. Since the last report to the Audit and Governance Committee in November, further progress has been made implementing agreed actions in the Internal Audit action plan.

24. The new risk policy discussed above will meet the agreed actions for the following findings:

    a. Finding 1 (risk and performance policy and risk guidance)
    b. Finding 7 (decision making)
    c. Finding 8 (project, capital and national risk registers)
    d. Finding 9 (emerging risks)
    e. Finding 10 (insurance)

    The new risk policy will also allow progress to be made towards the agreed actions for Finding 5 (training on risk management process).

25. Corporate Directors and Directors have met and agreed the Terms of Reference for the new Risk Working Group, as well as to discuss and provide feedback on the new risk appetite levels.

Overview and Scrutiny Engagement

26. The role of the Audit and Governance Committee, in relation to the risk management process and as described in the Council's current Performance and Risk Management Policy, 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 (OSMC).

27. As agreed at November's Audit and Governance Meeting, a meeting took place in which officers briefed the Chairs of both the Audit and Governance Committee and the Overview and Scrutiny Management Committee on changes to the risk policy and implications for risk management and strategic risks.

Safeguarding Implications

28. 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 appropriate mitigating actions are put in place.

Public Health Implications

29. 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

30. There are currently no procurement implications. However, an agreed action in response to Finding 2 of 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

31. There are no known equalities impacts arising directly from this report. As part of the development of the Policy, and Equality Impact Assessment is being conducted to identify and mitigate potential impacts.

Environmental and Climate Change Considerations

32. Although some risks identified may relate to the environment and climate change, this report cover 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.

33. 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.

34. 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 (see the risk impact scoring matrix in Appendix 2 of Appendix 3).

Workforce Implications

35. Officers responsible for risks, either as risk owners or with responsibility for reviewing risk scores and updating risk registers, will be provided with guidance and training as part of the launch of the updated Risk Policy once it has been approved.

36. Development of this guidance and training will be supported within existing workforce capacity within the Executive Office.

37. All existing risks then need to be reviewed and rescored using the new 5x5 risk scoring matrix. Officers across the Council will need to complete this work within their existing capacity as part of their responsibilities for risk management. Officers from the Executive Office will be available to provide support and advice as part of this process.

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

38. No decision is required as this report seeks only to update and to request feedback from the Committee. However, the internal audit identified a number of actions needed

in order to ensure that the Council has an effective and robust risk management process.

39. If the agreed action plan is not implemented and the existing risk policy is not updated, there is a risk that the current 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

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

Financial Implications

41. No additional budget is currently required to complete development of the new Risk Policy, nor is any additional budget required to continue implementation of the internal audit action plan.

Legal Implications

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

43. 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.

44. 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.

45. 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

46. 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 on a new policy, the need for which has already been agreed as part of the Internal Audit Action Plan.

Proposals

47. That the Audit and Governance Committee note the developments taking place to improve the Council's risk management process.

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Appendices
Appendix 1 – Risk Update and Policy
Appendix 2 – Risk Guidance
Appendix 3 – Draft Risk Policy

Background Papers
None