Wiltshire Council

Cabinet

7 May 2024

Subject:	**Adoption of a new Risk Management Policy**
Cabinet Member:	**Cllr Richard Clewer - Leader of the Council and Cabinet Member for Military-Civilian Integration, Health and Wellbeing, Economic Development, Heritage, Arts, Tourism**
Key Decision:	**Key**

Executive Summary

This paper introduces a new policy for the management of risk across the Council.

Wiltshire Council uses risk management, alongside performance monitoring, service planning and budget setting, to ensure that the work undertaken by the Council's services continues to deliver the stated priorities of the Council, making the best use of available resources.

The proposed Risk Management Policy addresses the gaps and recommendations raised by a 2023 internal audit of the Council's risk management processes, which found that the current risk management framework was not effective. The new policy incorporates best practice from across the sector and aligns the Council's risk management processes with external partners and other local authorities. It ensures that risk management processes are robust and meet the high standards expected of the Council's governance structures.

Proposals

That Cabinet approve:

1) Adoption of a new Risk Management Policy for the Council.
2) Delegation to the Council Leader the authority to approve amendments that do not make material changes to the policy.
3) Delegation to the Director of Legal and Governance the responsibility for the policy's implementation.

Reason for Proposals

The current Performance and Risk Management Policy was last updated in 2019 and is therefore due a review. Updates are required in order to incorporate a review of risk appetite requested by the Audit and Governance Committee in May 2023, and recommendations made by a 2023 internal audit on risk management processes.

Perry Holmes
Director, Legal and Governance

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Purpose of Report

1. This report introduces a new Risk Management Policy, provided in Appendix 1, which sets out the processes by which risks will be managed across the Council. Cabinet is asked to approve the policy.

Relevance to the Council's Business Plan

2. 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

3. Risk processes are currently operating under the existing Performance and Risk Management Policy. This policy was last updated and approved in 2019 and is therefore due a review.

4. In 2023 an internal audit was undertaken of the Council's risk management processes. This audit highlighted a number of areas in which the Council's policy required updating in order to ensure that risks are being appropriately managed. Development of an updated risk management policy was recommended to meet four of the nine agreed findings of the agreed Internal Audit Action Plan.

5. A review of risk appetite categories and scores was requested by the Audit and Governance Committee in May 2023.

Main Considerations for the Council

6. Risk processes are currently operating as part of a combined Performance and Risk Policy. However, due to the changes required in order to meet the recommendations of the 2023 internal audit, risk has been separated into a separate policy for clarity.

7. The revised Risk Management Policy is based on national best practice, including guidance published by ALARM, the Institute of Risk Management, the UK government's 'Orange Book' series, and HM Treasury, as well as advice from risk managers in other government organizations.

8. A number of substantive changes have been made to the policy on risk management.

9. 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.

10. The current 4x4 matrix for scoring risks has been replaced by a 5x5 matrix, 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. The move to a 5x5 matrix will therefore support easier mapping of risks for joint projects and contracts, saving officer time.

11. As a result of the expanded risk matrix, risk scores are now divided into five levels, ranging from very low to very high, replacing the current three risk levels.

12. Criteria have been established for escalating, reporting on and closing risks, allowing these processes to be standardised across the council. The new reporting criteria will result in corporate risks that exceed their appetite, have high or very high risk scores, or have rapidly increasing risk scores being reported to Cabinet by exception alongside the strategic risks, allowing for additional scrutiny and oversight.

13. Definitions of all aspects of risk management have been expanded, clarified, and improved, with new sections on tiers of risk, risk registers, emerging risks, opportunities, issues, mitigations, and risk assurance.

14. Five new appetite levels have been developed – averse, minimalist, cautious, receptive and eager – to help articulate what levels of risk will be tolerated.

15. To enable risk appetite to be applied at a more granular level, the number of risk categories has been expanded from six to 12, based on both the existing categories and those listed in the government's 'Orange Book' guidance. The expanded number of risk categories has also allowed more examples of impact to be developed, to assist officers in scoring risks.

16. The new appetite levels have been assigned to the new risk categories. For the operational risk category, three appetite levels have been created: 'operations – minimalist', 'operations – cautious' and 'operations – open', recognising that some services may have a lower tolerance for risk than others.

17. Development of the new Risk Management Policy has incorporated feedback from officers representing the following areas:

    a. Finance Directorate
    b. Legal Services
    c. Environment Directorate
    d. Assets Directorate
    e. HR & OD Directorate
    f. Occupational Health and Safety
    g. Transformation Team
    h. Executive Office
    i. South West Audit Partnership
    j. Corporate Governance Group.

18. The new Risk Management Policy has also been endorsed by the Corporate Governance Group.

19. To support transition to the new Risk Management Policy and the changes to risk management processes it contains, new training resources have been developed. These include short 'how to' guides, each focused on a specific aspect of risk management, that will be available to all officers via The Hub. Presentations for officers have also been prepared for SMT meetings, ready for the launch of the policy. All officers will also be alerted via the One Council email newsletter.

20. Included in Appendix 2 is a short summary of key features of the policy.

21. Separation of risk into a new policy will require new policies to be created to cover performance and service planning. These will be developed once following the approval and implementation of the proposed Risk Management Policy.

Safeguarding Implications

22. There are no safeguarding implications arising from the proposed Risk Management Policy. Although some of the risks may relate to safeguarding, this report covers the internal processes by which all risks are identified, managed and mitigated within the Council, rather than the risks themselves.

Public Health Implications

23. There are no public health implications arising from the proposed Risk Management Policy. Although some of the risks identified may relate to public health, this report covers processes by which all risks are identified, managed and mitigated within the Council, rather than the risks themselves.

Procurement Implications

24. There are currently no procurement implications. However, an agreed action in response to the 2023 SWAP Internal Audit of Risk Management was to explore alternative methods to using Excel for managing risk registers. Advice will be sought from the Strategic Procurement Hub if any potential specialist risk management systems are identified.

Equalities Impact of the Proposal

25. An Equality Impact assessment (EqIA) has been completed on the proposed Risk Management Policy.

26. A low equality risk score was calculated, with the only identified impact relating to accessibility of the document.

27. 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.

Environmental and Climate Change Considerations

28. 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.

29. 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, actions to mitigate them will be required in the shorter term.

30. 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

31. 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 Management Policy once it has been approved.

32. Development of this guidance and training is being supported within existing workforce capacity within the Executive Office.

33. All existing risks will 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

34. If the risk management policy is not updated, the existing Performance and Risk Management Policy will remain in effect. This policy was identified by the 2023 internal audit as containing significant gaps and being inconsistently applied, resulting in ineffective risk management processes that could lead to uninformed decision making or unforeseen exposure.

35. Failure to update the risk policy would also mean that the agreed Internal Audit Action Plan would not be fully implemented, risking further limited opinions for future internal audits into risk management processes.

36. Failure to update the risk scoring matrix and appetite levels has the potential to hinder work with external organisations and suppliers, and to fail to demonstrate confidence to assurance bodies that the Council's risks are being effectively managed within appropriate and informed levels of tolerance.

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

37. Approval of the new Risk Management Policy and its subsequent implementation will require all risks to be reviewed and re-scored, as well as assigned to new risk categories. This will need to be done by risk owners and responsible officers across the Council, alongside existing workloads. To mitigate the impact of this work, guidance and training has been prepared, and support will be available from the Executive Office.

38. Once the new Risk Management Policy is implemented, there is a risk that some aspects may prove difficult to apply in services or projects that have unique requirements that were not identified during the development phase. It is therefore proposed that a first review of the new policy will take place 12 months after approval, to ensure that it is functioning as expected in practice.

Financial Implications

39. No additional budget is currently required to implement the approved Risk Management Policy.

Legal Implications

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

41. 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.

42. 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.

43. 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.

44. These responsibilities are all set out in the Roles and Responsibilities section of the proposed Risk Management Policy.

Overview and Scrutiny Engagement

45. A draft of the risk policy was considered by the Audit and Governance Committee at their meeting on 7 February 2024. The Committee sought further details on the types of risks included within the policies, how they would be monitored, and how the Council would respond to emerging risks. The Committee were reassured that the policy would standardise processes and that horizon scanning and training for officers on mitigating emerging risks provided an effective approach to managing future risks.

46. At the OSMC's February meeting, clarity was sought as to who provides scrutiny for the service level risk registers. It was noted that the proposed Risk Management

Policy includes new criteria for reporting risks, which will allow corporate level risks exceeding their appetite or with very high risk scores to be reported by exception in the Strategic Risk Summary to Cabinet, allowing for additional scrutiny.

Options Considered

47. The following options have been considered:

    a. **Option 1: To do nothing:** Leaving the current Performance and Risk Management Policy 2019 as it is would not meet the recommendations made by the 2023 internal audit into risk management processes, and would leave the Council at risk of uninformed decision making and unforeseen exposure.

    b. **Option 2: To update the current policy:** Due to the quantity of additional information required to bring the risk aspect of the current policy up to the required standard, updating the current combined performance and risk policy would risk making the policy difficult for officers to use and apply.

    c. **Option 3: To develop and adopt a new Risk Management Policy:** A new and expanded risk management policy would allow the Council to align internal processes with external best practice, to standardise risk management across the organisation, and to ensure that risks are effectively managed and mitigated.

48. Our recommendation is to adopt the new Risk Management Policy set out in **Option 3**, as this best meets the needs of the Council and fully addresses the recommendations made in the 2023 internal audit on risk management processes.

Conclusions

49. To ensure that risk management processes are robust and align with best practice, a new Risk Management Policy has been developed for adoption by the Council.

Perry Holmes (Director - Legal and Governance)

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Appendices
Appendix 1 – Wiltshire Council Risk Management Policy 2024.
Appendix 2 – Summary of Risk Management Policy key features.

Background Papers

Corporate Performance and Risk Policy, February 2019.