Report of:	Meeting	Date	Item no.
Head of Finance (s151 Officer)	Audit Committee	7 March 2017	6

Risk Management Update

1. **Purpose of report**

   1.1 To approve the amended Council's Risk Management Policy and review progress in relation to strategic risk management activity.

2. **Outcomes**

   2.1 Evidence that the Council manages its significant business risks and recognises that effective risk management is integral to the Council's corporate governance arrangements. In addition, effective leadership of audit and governance issues allows the Council to demonstrate that arrangements are in place to maintain a sound system of internal control.

3. **Recommendations**

   3.1 Members are asked to approve the amended Risk Management Policy attached at Appendix 1 and the annual Strategic Risk Management Review at Appendix 2.

4. **Background**

   4.1 In accordance with their terms of reference the Audit Committee will review the risk profile of the organsiation and consider the effectiveness of the Council's risk management arrangements. This involves monitoring the risk progress of embedding risk management, reviewing the Council's risk registers and ensuring that actions are being taken where necessary to mitigate such risks.

   4.2 The Audit Committee are also required to review the Risk Management Policy on an annual basis with the last review being completed in September 2015. At the last Strategic Risk Management workshop, a decision was made to monitor the strategic risk management action plans more frequently, moving from six monthly to quarterly monitoring. This does not reflect any increase in risk but rather a general view that more frequent reviews will help to focus attention on key risk areas and allow increased oversight at an earlier stage to maintain progress.

5.   Key Issues and proposals

5.1   The Risk Management Policy attached at Appendix 1 has been amended to reflect that the strategic risk register's actions plans will now be monitored quarterly.

5.2   The Strategic Risk Management Review is attached at Appendix 2.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	Effective risk management assist in good governance and probity of Council actions.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
data protection	x

report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	21 February 2017

List of background papers:		
name of document	date	where available for inspection

List of appendices

Appendix 1 - amended Risk Management Policy

Appendix 2 - Strategic Risk Management Review

arm/audit/cr/17/0703jb1

Risk Management Policy

Amended March 2017

1.0   Introduction

1.1   Risk is part of all our lives. As an organsiation, we need to take risks to grow and develop. Risk Management involves understanding, analysing and addressing risks to make sure the organsiation achieves its objectives. Successful risk management can make a Council more flexible and responsive to new pressures and external demands. It allows an organisation to deliver services better services and to meet the needs and expectations of its community in what is a fast changing and dynamic environment.

1.2   The aim of the Risk Management Policy is to establish and operate an effective system not only to minimise risk but also to enable continuous improvement at every level of the organisation. The adoption of this policy will help the Council to demonstrate its commitment to a policy of managing risk wherever it may.

1.3   The Council is committed to developing a robust approach to risk management and will take reasonable steps to ensure that it;

- ◆ Provides services of the highest quality and standards possible;
- ◆ Provides a safe environment and facilities for staff and visitors;
- ◆ Provides reasonable and safe working arrangements for staff e.g. hours and workloads;
- ◆ Provides staff with adequate training and equipment to perform their duties;
- ◆ Encourages and enables staff to improve their performance both individually and collectively; and
- ◆ Is not financially or operationally compromised or disrupted.

1.4   In making this commitment the Council aims to;

- ◆ Identify activities that may cause loss, or cause the Council to fail to deliver its objectives;
- ◆ Measure the impact of potential loss on the Council, its property, staff and customers;

- Take reasonable steps to avoid, reduce and/or control the impact of potential loss;
- Make efforts to share or transfer risk wherever possible;
- Foster a culture of risk awareness that is reflected in all aspects of its work;
- Develop a culture that encourages open reporting and learning from adverse events; and
- Demonstrate continuous improvement, spreading learning across the Council and meeting the changing needs of the community.

1.5 The policy applies to the Council's elected Members and its Committees, the Corporate Management Team, staff and all working groups and partnerships. The responsibilities of these groups and the individuals within them, for the implementation of a control assurance programme and the effective management of risk is detailed below.

2.0 Risk Evaluation

2.1 The Council uses Zurich Municipal's STORM methodology (Strategic and Tactical Organisational Risk Management); a structured, systematic methodology that identifies, evaluates, prioritises and manages opportunities and risk at strategic and operational levels.

2.2 The Council's risk registers are held within spreadsheets and are accessible via the Council's Intranet. The registers document the key risks and who is responsible for them. They also record the action plans created to help mitigate these risks.

2.3 Risk assessment is a formal requirement in the Council's decision-making process. Prior to the submission of any committee report the report author must identify any risks associated with putting into place the recommendations or the risks associated with not doing so. Reports are considered by the Corporate Management Team and the cascade of information via team briefings ensures that the Head of Governance is aware of all decisions and can ensure that any associated risks are captured on risk registers.

2.4 The risk evaluation method details the level of risk that the Council considers acceptable based on likelihood and impact, and ascribes management action to reduce significant risks.

3.0 Responsibilities

Members

3.1 Members are ultimately responsible for risk management because risks threaten the achievement of policy objectives. Failure to deliver services efficiently and high-level incidents and scandals often result in the public questioning the competency of those in charge. It often transpires that such failures and scandals could have been avoided if proper governance

procedures had been operating effectively. Members must understand the strategic risks that the Council faces and decide how these risks should be managed. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

3.2   Members must ensure that risk awareness and management are part of the culture of the Authority and as a minimum;

♦   Exercise leadership and take a "top down" approach;
♦   Support and monitor the Risk Management process;
♦   Request assurance as to the quality of data that supports the decision making process; and
♦   Form an opinion as to the adequacy of the risk assessment that has been performed.

3.3   The Accounts and Audit Regulations 2015 require the publication of an Annual Governance Statement with the Council's financial statements. This includes a review of the effectiveness of internal controls and documents the Council's approach to risk management. This statement of assurance is a broad reflection of the whole governance of the Authority, identifying the measures that are needed to improve the control environment and is signed by the Leader of the Council and the Chief Executive.

Senior Officers

3.4   The Chief Executive acts as the figurehead for implementing the risk management process by making a clear, public and personal commitment to making it work and by signing the Annual Governance Statement.

3.5   Implementation of the risk management process has been delegated to the Head of Governance who works closely with the Senior Auditor and the Corporate Management Team to ensure risk action plans are implemented. Should the Head of Governance feel action is inadequate, then this would be reported to the Audit Committee for resolution.

3.6   The Council's Corporate Management Team meets annually to review the Council's strategic risks as identified on the Council's strategic risk register, and identify any new risks that may prevent the Council from achieving its long-term corporate objectives.

3.7   Service Directors and Heads of Service have responsibility for risk management within their own area of operations. They are best placed to understand the risks that are specific to their officers' day-to-day duties.

3.8   Service Directors and Heads of Service will;

♦   Fulfil their statutory and organisational obligations for the management of risk within the workplace;

♦ Ensure that regular risk assessments are undertaken within their teams as directed by the Head of Governance;
♦ Foster a culture of risk awareness in their teams;
♦ Ensure that staff have access to the relevant policies, procedures and guidelines to facilitate safe practice and to minimise risk; and
♦ Identify staff risk management awareness and other training for professional and personal development.

Employees

3.9 The Council's employees have a duty to: -

♦ Consider the risks involved in what they do;
♦ Be risk aware and observant, and bring potential risks to the attention of their line managers or to the Head of Governance, or report them through the Council's formal accident/incident reporting mechanism;
♦ Help to devise and implement processes to minimise risks to an agreed and acceptable level; and
♦ Update risk action plans via the Council's risk register spreadsheets.

Head of Governance

3.10 The Council's Head of Governance has a duty to: -

♦ Develop the Risk Management Policy and keep it up to date;
♦ Co-ordinate risk management and internal control activities;
♦ Compile risk information and prepare reports for Audit Committee;
♦ Develop a risk based internal audit plan;
♦ Audit the risk process across the organsiation;
♦ Receive and provide assurance on the management of risk; and
♦ Report on the efficiency and effectiveness of internal controls.

4.0 Risk Registers

4.1 The Audit and Risk Management Section will maintain both strategic and operational risk registers and record all significant risks. The registers are held in spreadsheets which can be viewed on the Council's intranet and will be used to monitor risk movements.

♦ The strategic risk register will be reviewed **annually** by the Corporate Management Team via a risk workshop, and action plans will be updated **quarterly.**

♦ The operational risk register will be reviewed **annually** via Heads of Service and action plans will be updated **every six months**.

♦ Amendments to risk scores (likelihood x impact) can only be actioned by the Audit and Risk Management Section after evidence of increased or

improved control, or another viable explanation has been recorded e.g. the activity ceases altogether.

4.2   To ensure that the risk registers are comprehensive and accurately reflect the levels of risk within the Authority, all relevant and available sources of information will be used in their compilation and review, namely:-

♦   The Council's Annual Governance Statement;
♦   Internal Audit Reports;
♦   External Audit Reports;
♦   Risk Assessments;
♦   Incident / Accident reports;
♦   Insurance Claims and advice from the Council's Insurers;
♦   Complaints; and
♦   Any relevant articles from risk management publications.

5.0   STORM Methodology

5.1   The process has five main steps to follow; Risk Identification, Risk Analysis, Prioritisation, Risk Management and Monitoring.

♦   *Risk Identification*; Uses the table of risk categories to help identify all risks associated with the action or direction the Council takes.

♦   *Risk Analysis;* The vulnerability, trigger and consequences are highlighted.

♦   *Prioritisation*; This scores the likelihood and impact or severity of the risk. The risk is then plotted on a graph called the Risk Profile. Action must be taken to control any risks that have been identified and profiled above the Council's risk appetite.

♦   *Action Planning;* To manage "downwards" either the likelihood, the impact or both.

♦   *Monitoring;* The Audit Committee will monitor the progress of the strategic risk register plans via reports provided to their November meeting.

5.2   Categories of risk to consider when using the STORM process to identify risk are illustrated in the diagram below.

Step 1:Identification
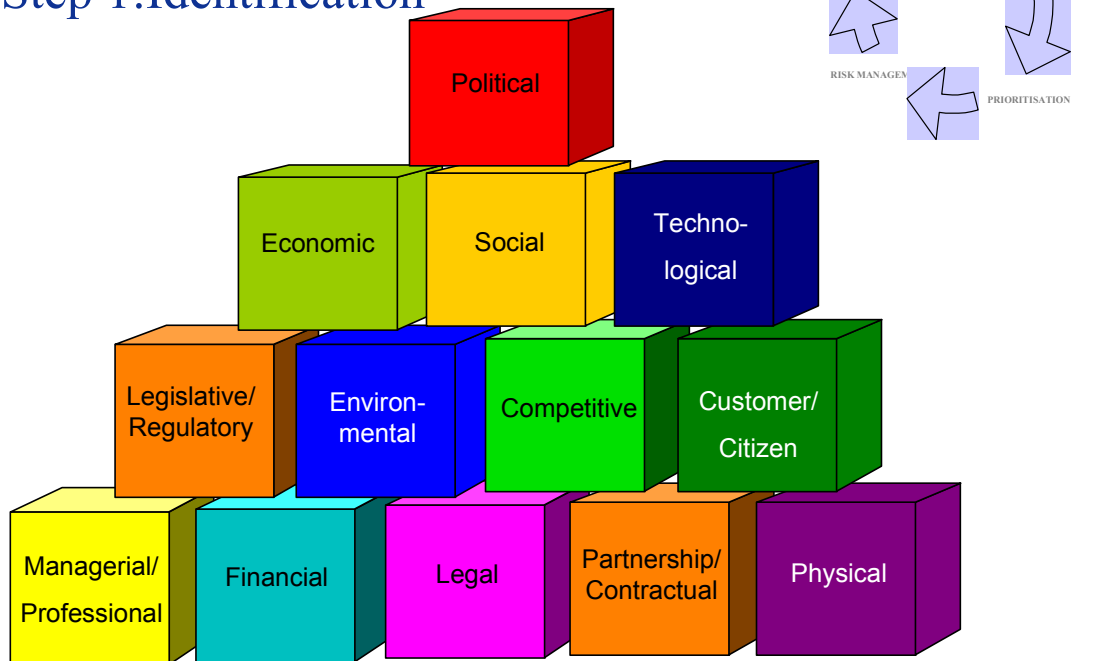
5.3 The quality of data must also be considered when evaluating risk. Data can be collected and used in any of the above areas. However if a decision is to be based on that data, or performance measured or judged on it, then the source must be assured. The key elements of quality data are listed as follows.

- ◆ Accuracy
- ◆ Reliability
- ◆ Relevance
- ◆ Validated
- ◆ Timely, and
- ◆ Complete.

6.0 Risk Management Standards

6.1 Despite the publication of ISO 31000, the global risk management standard, the Institute of Risk Management (IRM) has decided to retain its support for the original risk management standard. This historic standard was formulated in 2002 by The Association of Insurance and Risk Managers in Industry and Commerce (AIRMIC), the Institute of Risk Management (IRM) and the Public Risk Management Association (ALARM). It is still being referred to as it is a simple and accessible guide that outlines a practical and systematic approach to the management of risk.

6.2 The standard is not prescriptive i.e. a box ticking exercise or a certifiable process. The standard represents best practice against which organisations can measure themselves. The Council has reviewed its risk management policy against this standard.

7.0   Summary

7.1 The adoption of this policy and the ongoing efforts to embed sound risk management principles into the Council's 'fabric' will improve the way in which services are delivered. A solid, well-documented and comprehensive approach to risk management and its adoption into the decision making process is good practice, essential to good management and strengthens the Council's governance framework.

Wyre Council - Audit and Risk Management

STRATEGIC RISK REVIEW

6 February 2017

Report Contents

Report Preparation

Report prepared by: Karen McLellan, Senior Auditor
Telephone: 01253 887325

Report Distribution

This report has been issued to:

- Garry Payne – Chief Executive
- Marianne Hesketh – Service Director of Performance & Innovation
- Mark Billington – Service Director of People & Places
- Mark Broadhurst – Service Director of Health & Wellbeing
- Clare James – Head of Finance (S151)
- Joanne Billington – Head of Governance (Chief Internal Auditor)
- Cllr L McKay – Audit Committee Chairman

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1. Introduction

1.1 On the 6 February 2017 a strategic risk management assessment was facilitated by the Senior Auditor for Wyre Council in accordance with the council's annual risk management process.

1.2 This exercise was attended by the Corporate Management Team, Head of Finance, Head of Governance and Councillor McKay in her role as the Chairman of the Audit Committee. The session provided an opportunity to review the existing strategic risk register for Wyre Council and to identify and prioritise any new risks facing the Council in its delivery of its business plan for 2017/18.

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2. Executive Summary

2.1 The last half yearly review of the strategic risk register was completed in October 2016 by the Corporate Management Team. This exercise allowed any changes since then, both in circumstance and direction, to be identified and reflected in the revised risks.

2.2 During the most recent review the group identified 2 new risks and concluded that 1 of the original 9 risks could be removed from the register. (Appendix D describes the risks and the reason for their removal from the register). The 8 risks remaining from the original register were reviewed in terms of likelihood and impact resulting in 4 retaining the same rating and 4 being amended.

2.3 A review of the risk appetite was completed resulting in the low likelihood and catastrophic impact risks falling below the risk appetite. There are now 7 risks above the risk appetite and 3 risks below. The completed matrix is shown in Appendix A.

2.4 Following the assessment the 7 risks above the risk appetite are as follows:

Risk Number	Description
18	Central government funding is insufficient to provide the current level of service.
23	The efficiency programme is insufficient to meet the funding gap identified in the latest financial projection.

26	The use of council assets is not maximised leading to insufficient funding to deliver capital projects.
38	The Local Plan is delayed due to the lack of response from other statutory consultees.
39	Funding from Lancashire County Council is withdrawn impacting on the delivery of services within Wyre.
40	The delivery of the Council's Business Plan and projects is delayed due to current workloads and staff capacity issues.
41	The current IT infrastructure is not fit for purpose.

2.5 The risks above the risk appetite (Appendix B) will now be managed and monitored to ensure that they do not hinder the delivery of the Council's objectives. A risk owner for each of the risks has been identified and it is their responsibility to ensure that an action plan is developed that clearly demonstrates how the risk will be managed.

2.6 A number of risks are sitting below the appetite (Appendix C) and it is important that the controls already in place are regularly reviewed to ensure these continue to sufficiently control these risks and no additional action is required to ensure that their likelihood and/ or impact does not alter significantly.

3.0. Approval

3.1 The revised risk register will be reported to the Audit Committee and a copy of the risk register is available to view on the council's intranet.
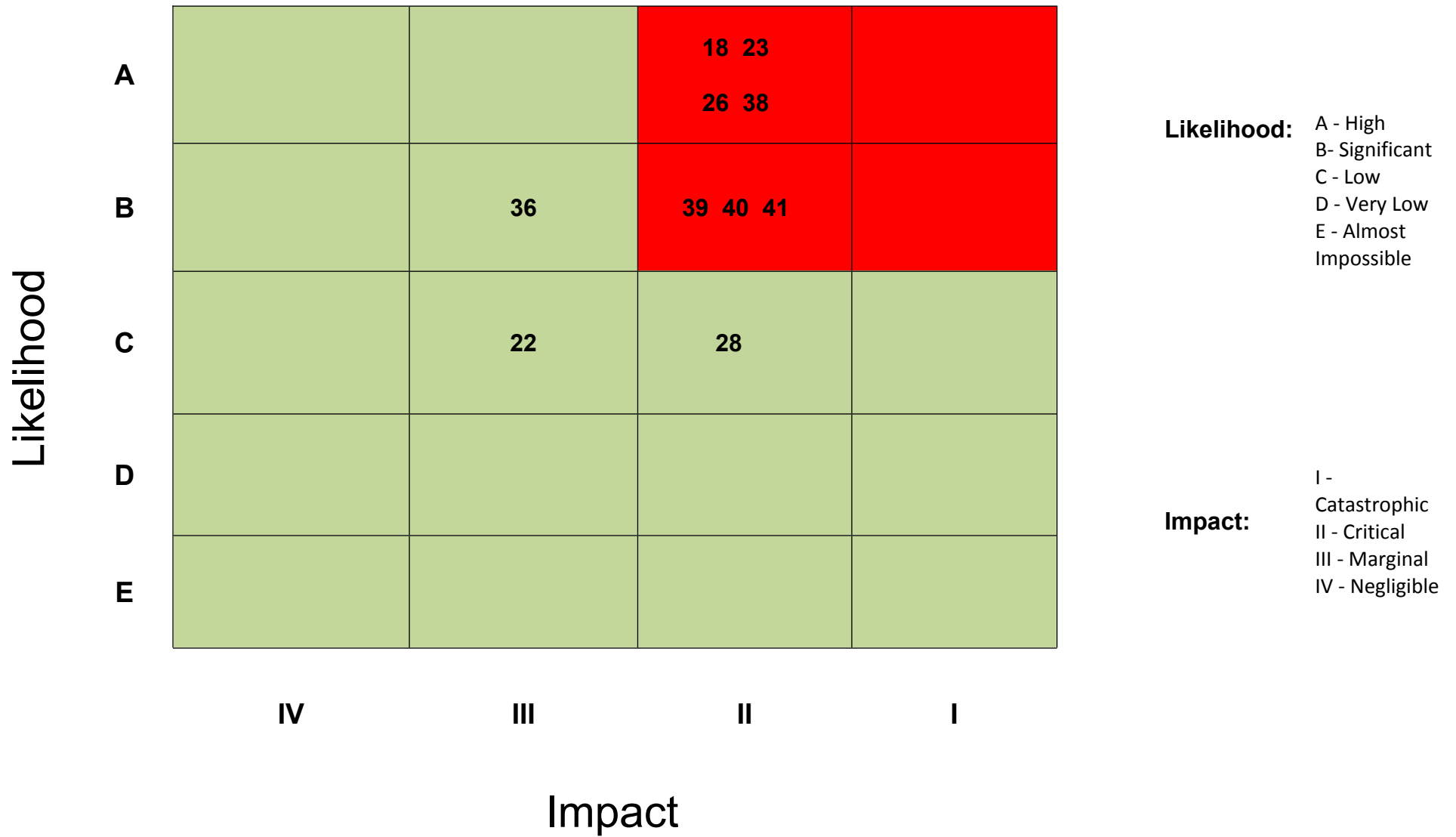
4.0. Monitoring

4.1 Reviewing or monitoring of risks is twofold. Firstly the action plans to manage the risks should be regularly monitored and secondly the risks above and below the line should be reviewed in terms of their position on the matrix. Quarterly reviews of the action plans will be completed to

demonstrate that risks above the appetite are being actively managed, with a half yearly review of all risks being completed in October 2017.

5.0. Directorate operational risk registers

5.1　In accordance with the council's risk management processes, a review of the directorate operational risk registers will also be undertaken in March 2017 to review the risks currently recorded on the operational risk registers and to identify and prioritise any new risks facing each directorate in the delivery of their service plans for 2017/18.

Appendix A - Risk Profile

	IV	III	II	I
A			18 23 26 38	
B		36	39 40 41	
C		22	28	
D				
E				

Likelihood

Impact

Likelihood: A - High
B- Significant
C - Low
D - Very Low
E - Almost Impossible

Impact: I - Catastrophic
II - Critical
III - Marginal
IV - Negligible

Appendix B – Strategic risks above the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
18	Critical / High	Central Government funding is insufficient to provide the current level of service.	Funding for the 4 years commencing 2016/17 has been announced but there continues to be a funding gap in 2019/20 of £1.8m and £2.2m in 2020/21.	• Further savings will need to be identified • The 4 year business plan may need to be reviewed in accordance with resources available • Negative impact on staff resulting from uncertainty about the future	Clare James
23	Critical / High	The efficiency programme is insufficient to meet the funding gap identified in the latest financial projection.	The council has identified a number of projects that will help to reduce the gap between expenditure and income reflected in the latest MTFP. However, further projects will be required to achieve the level of savings required.	• Additional savings / cuts in services will be required • Members trust in the Management Team and the SLT to deliver future savings will be affected • The impact of further reductions in government grants will be exacerbated	Management Team
26	Critical / High	The use of council assets is not	Future capital investment is dependent on capital receipts from the sale of council assets.	• Additional savings / cuts in services will be required.	M Hesketh

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
		maximised leading to insufficient funding to deliver capital projects.		• Additional borrowing costs will exacerbate the funding gap • Assets will deteriorate and maintenance costs will increase • Resident satisfaction levels will reduce	
38	Critical / High	The Local Plan is delayed due to the lack of responses from other statutory consultees.	The Council is required to publish a Local Plan and timescales have been published.	• Reputational issues will arise • Further costs will need to be incurred • The Council may be subject to 'special measures' imposed by the DCLG	Garry Payne
39	Critical / Significant	Funding from Lancashire County Council is withdrawn impacting on the delivery of services within Wyre.	Lancashire County Council have stated that they will not be able to set a legal budget for 2018/19 and have announced that significant savings have to be achieved to reduce their funding gap for 2017/18.	• Services are withdrawn • Increased council expenditure to continue with existing services • Adverse publicity • Reputational damage • Increased complaints from service users	Management Team

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
40	Critical / Significant	The delivery of the Councils Business Plan and projects is delayed due to capacity issues and current workload.	The Council has published the updated Business Plan for 2017, which sets out our strategic priorities and projects. However, due to the loss of key individuals and the inability to recruit staff in key service areas, there is a risk that projects will not be delivered.	- Projects are not delivered - The Council doesn't move forward - Staff under pressure leading to stress and absenteeism - Key staff leave - Failure to deliver objectives - Council criticised - Adverse publicity	Management Team
41	Critical / Significant	The current IT infrastructure is not fit for purpose	The capacity and performance of the current IT infrastructure is insufficient to meet the demand from services reducing operational performance.	- Loss of staff time - Delays in the delivery of key services - Productivity loss	M Hesketh

Appendix C - Risks below the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence
22	Marginal / Low	The leisure review does not generate the required rate of return for 2015/16.	The council agreed to spend significant sums redeveloping the Poulton and Thornton leisure centres to meet the needs identified in the public consultation exercise. Whilst professional external advisors have helped to specify the facility mix, the take-up is not guaranteed and the income and expenditure projections may not be achieved.	• Expenditure is higher than expected • Projected efficiency savings are not realised • Income falls short of the target
28	Critical / Low	The Local Plan is declared unsound delaying its implementation.	The Council is required to adopt a Local Plan which must be tested at an inspection prior to adoption.	• Further costs will need to be incurred • Unwanted development will be hard to defend • Legislation / guidance may change requiring the exercise to be repeated at significant cost to the taxpayer
36	Marginal / Significant	Decisions by the shadow combined authority have an impact on the Borough and Council capacity	A shadow combined authority has been formed and Wyre Council are not a member of this. Therefore, Wyre will have no influence on the decision making process which could potentially affect the Borough and Council capacity.	• Council priorities are not delivered • Unable to influence decisions which may impact on Wyre residents • Allocation of resource may not ultimately result in the desired outcome

Appendix D - Risks removed from the register

Risk number	Reason for removing from register	Risk Description	Vulnerability	Consequence
35	Following the conclusion of the Greengage support, regular 1 to 1's continue with the Chief Executive and the Service Directors and Head of Finance, contributing to their CPD. The budget has now been set and the new approach is working well, with presentations to the Conservative Group by the Head of Finance and attendance at Cabinet meetings and Full Council by Service Directors.	Three Senior members of the Senior Leadership Team will leave the organisation in 2016/17 resulting in a loss of knowledge and skills and increased expectations on those remaining.	The newly appointed Service Directors are retaining responsibility for their own service areas in addition to becoming members of the Corporate Management Team and responsible for strategic management.	• Loss of knowledge and experience • Capacity issues / increased expectations • Cultural change for the organisation • Ongoing challenges financially • Longer lead in to the delivery of efficiency savings • The management team will take time to develop effective working arrangements / build relationships.

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