

FORM 2**NOTICE OF DECISION OF CABINET MEMBER**

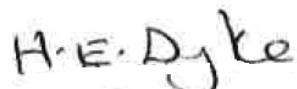
Pursuant Section 15(4) of the Local Government Act 2000, as amended by section 63 of the Local Government and Public Involvement in Health Act 2007, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1st December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

In accordance with the authority delegated to me, I have made the following decision:

Subject	Decision	Reason for decision	Date for Decision to be taken
Risk Management Strategy – Revised Strategy document	That the Risk Management Strategy considered by Audit Committee on 22 nd March 2023 is adopted	The Risk Management strategy is subject to periodic review to ensure it remains relevant and fit for purpose. The attached strategy was recommended for adoption by Audit Committee on 22 nd March 2023.	2 nd May 2023

I confirm that the appropriate statutory officer consultation has taken place with regard to this decision.

Dated: 2nd May 2023



Signed:
Councillor: Helen Dyke.
Leader

WYRE FOREST DISTRICT COUNCIL

**Cabinet
Strong Leader Report**

**Recommendations from the Audit Committee
Wednesday 22 March 2023**

Risk Management – Corporate Risk Register Action Plan Monitoring Report

The Committee considered a report on the current Corporate Risk Register and the Budget Risk Matrix, which informed members of the latest Risk Management Strategy, including the updated Risk Management Strategy.

The Head of Resources presented the report and was able to provide members with verbal responses to their questions.

The Audit Committee considered and noted the Corporate Risk Register and the associated mitigating actions as at 31st January 2023 and the 2023-26 Budget Risk Matrix.

Recommend to Cabinet: The Audit Committee recommend to Cabinet that the revised Risk Management Strategy is adopted.

Background papers:

See the report on page 41 of the pdf at this link:

http://www.wyreforest.gov.uk/council/docs/doc58456_20230322_audit_agenda.pdf



Risk Management Strategy

March 2023 | Resources

Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF

Risk Management Strategy

1. Introduction

- 1.1. The purpose of this Risk Management Strategy is to establish a framework for the effective and systematic management of risk, which will ensure that it is embedded throughout the Council and makes a real contribution to the achievement of the Council's objectives. This document outlines the Council's commitment to managing risk in an effective and appropriate manner and provides guidance to ensure management of risk is a routine process for all services.

2. What is Risk Management

- 1.1 Risk Management is the control of business risks in a manner consistent with the principles of economy, efficiency and effectiveness. It is an essential performance management process to ensure that both the long and short-term objectives of the Council are achieved and that opportunities are fully maximised.
- 1.2 Risk Management is not about eliminating risk, as this would limit the ability of the organisation to develop and deliver its ambitions. Its purpose is to recognise the issues that could affect the achievement of objectives and develop actions to control, or reduce, those risks. Acknowledgement of potential problems and preparing for them is an essential element to successfully delivering any service or project. Good management of risk will enable the Council to rapidly respond to change and develop innovative responses to challenges and opportunities.
- 1.3 The 'Delivering Good Governance in Local Government' 2016 framework, jointly issued by The Chartered Institute of Public Finance & Accountancy and the Society of Local Authority Chief Executives states that there are seven core principles of good governance including 'Managing risks and performance through robust internal control and strong public financial management'. The document goes on to state 'Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.'

3. Risk Management Aims and Objectives

- 3.1 The aim is to adopt best practices in the identification, evaluation, cost effective control and monitoring of risks across all processes to ensure that risks are properly considered and reduced as far as practicable.
- 3.2 The risk management objectives are to:
 - Integrate risk management into the culture of the Council
 - Ensure that there are strong and identifiable links between managing risk and all other management and performance processes.
 - Manage risk in accordance with best practice
 - Anticipate and respond to changing social, environmental and legislative requirements
 - Prevent injury, damage and losses and reduce the cost of risk
 - Raise awareness of the need for risk management by all those connected with the Council's delivery of services.
 - Ensure that opportunities are properly maximised through the control of risk.
 - Reduce duplication between services in managing overlapping risks and promote 'best practise'.

4. Ownership/Roles and Responsibilities

Members	Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces. All members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities
Cabinet	<p>Receive regular updates on the key strategic risks facing the Council and provide their input as to how these should be managed.</p> <p>Receive regular reports, as received by the Audit Committee, covering implementation of the Council's risk management policy and strategy to determine whether strategic risks are being actively managed.</p> <p>Report to Council on the risk management framework, as appropriate.</p> <p>Agree the Risk Management Policy and Strategy on an annual basis, or if significant changes require a revision of it.</p>
Audit Committee	<p>To provide an independent assurance of the adequacy of the risk management framework and the associated control environment.</p> <p>Monitor and evaluate the development and operation of risk management by the Council.</p> <p>Receive reports and make recommendations to Cabinet where appropriate on Risk Management Policy, Strategy and its associated action plans</p> <p>Receive Internal audit and External audit reports on Risk Management matters as appropriate.</p>
Corporate Leadership Team (CLT)	<p>CLT, led by the Chief Executive, is pivotal in the promotion, demonstration and embedding of risk management within the Council. The successful outcome of this will be risk management practised throughout the organisation as part of usual activities and the sharing of best practice and experience between services.</p> <p>Ensure that effective systems of Risk Management and internal control are in place to support the Corporate Governance of the Council.</p> <p>Take a leading role in identifying and managing the strategic key risks and opportunities to the Council and to set the example and standards for all employees.</p> <p>Advise the Audit Committee, Cabinet and Council on the Risk management framework, Policy, Strategy and processes, as appropriate.</p> <p>Ensure that the Risk Management Strategy is communicated, understood and implemented by all Members and employees and that it is fully embedded in the Council's business planning and monitoring processes.</p> <p>Identify, analyse and profile high-level strategic and cross-cutting key risks on a regular basis as outlined in the monitoring process.</p> <p>Report to Members on the management of strategic and other significant risks and the overall effectiveness of risk management controls.</p> <p>Ensure that risk management skills training and awareness is provided to all Members and employees.</p>

Heads of service and service managers	<p>Individually responsible for proper monitoring of the relevant service risk register, local action plans and the embedding of risk management into the business and service planning of the service.</p> <p>Actively involved in the identification and assessment of service level risks resulting in an up to date service risk register.</p> <p>Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives.</p> <p>Ensuring that all reports of a strategic nature written for Members include a risk assessment of the options presented for a decision.</p> <p>Reporting quarterly to the CLT on the progress being undertaken to manage the risks and an update on the nature of the high priority red risks.</p> <p>Providing assurance on the adequacy of the service's risk and control procedures.</p>
Head of Resources and Section 151 Officer	<p>Collation and reporting on "red" risks from Service Managers on a quarterly basis, to CLT.</p> <p>Reporting to Audit Committee and Cabinet on a six monthly basis of current risk position.</p> <p>Ensuring that mitigation measures are captured and monitored using the existing performance management arrangements (Pentana).</p> <p>To ensure compliance with statutory requirements of current financial regulations, as appropriate.</p>
Managers	<p>Managers have an important role in risk management and will:</p> <p>Manage risk effectively in their job and report hazards/risks to their service managers.</p> <p>Carry out their role within risk management policy and guidelines.</p>
Employees	<p>All employees have an important role in risk management and will:</p> <p>Identify risks surrounding their everyday work processes and working environment, where necessary.</p> <p>Demonstrate an awareness of risk and risk management relevant to role.</p>
Internal Audit	<p>Produce an annual Audit Plan that is based on an evaluation of risk and provide an annual 'Statement of Assurance' to the Council on the Authority's internal control environment on the work undertaken in the year.</p> <p>Provide assurance to the Council with an independent and objective opinion on the control environment comprising risk management, control procedures and governance.</p> <p>Report to Members on the control environment.</p>

5. Arrangements for Managing Risk

- 5.1 Risk Management is a continual process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and / or responding to them. The risks faced by the Council are constantly changing and the continual process of monitoring risks should ensure that we can respond to the new challenges. This process is referred to as the risk management cycle. The risk management process is outlined in detail in Appendix 1.

6. Monitoring Arrangements

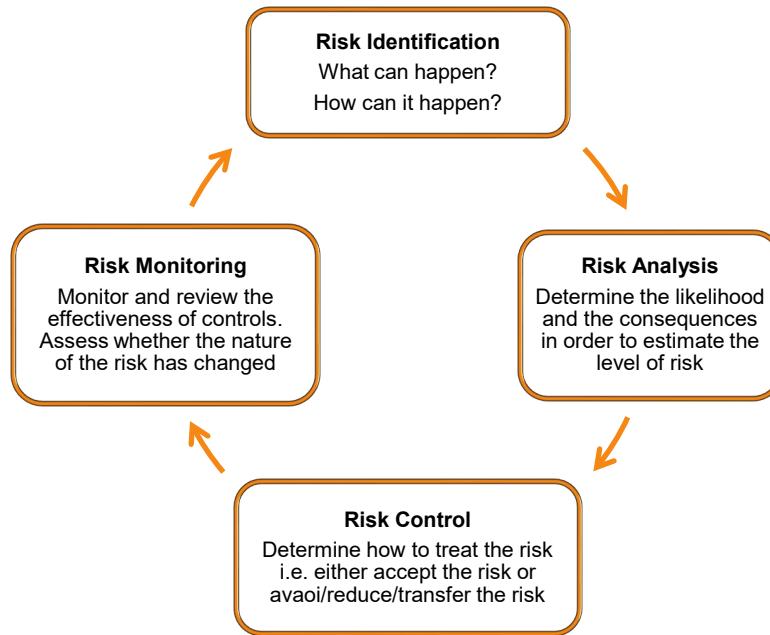
- 6.1 To ensure that the risk management process is effective it will need to be measured and reported to CLT, Audit Committee and Cabinet. As well as a structured reporting process of risks and controls during the year there will need to be an annual review demonstrating the success of the following:
- The inclusion of risk management principles within Service Plans and budgets.
 - The development of the Internal Audit plan based on the risk issues.
 - Members consistently ensuring managing risk is considered as part of the decision making processes within the Council.
 - Service managers making recommendations that regard risk as an opportunity as well as a threat.
 - Risk management principles being considered in service reviews, for example in areas such as options for change and service improvements.
 - Changes in risk being independently identified and assessed by Service Managers.
 - Suitable opportunities to benchmark risk management against other organisations should also be explored, to ensure that it is effective, and the work carried out by the Council conforms to best practise.

Appendix 1 – The Risk Management Process/Methodology

Appendix 2 – Categories of risk

1. Risk Management Methodology

There are 4 key stages in the risk management cycle, as illustrated in the chart below:



1.1 Risk Identification

Identifying and understanding the hazards and risks facing the council is crucial if informed decisions are to be made about policies or service delivery methods. There is detailed guidance available on how to identify risks and Appendix 2 provides a summary of categories of risk, which includes team sessions and individual knowledge. Once identified a risk should be reported to the relevant CLT member who will consider its inclusion on the relevant risk register. If the risk is identified in between register reviews, then it is reported to the Head of Resources for information and the relevant Head of Service is responsible for managing the risk.

1.2 Risk Analysis and Scoring

Once risks have been identified they need to be assessed. This process requires risk owners to assess the level of risk by considering:-

- The probability of an event occurring - “likelihood”; and
- The potential severity of the consequences should such an event occur – “impact”.

The following tables provide Impact and Likelihood descriptors to assist with this process:

Likelihood

Score	Description	Draft Indicative guidelines
5	Almost certain	<ul style="list-style-type: none"> • Is expected to occur in most circumstances. • Will undoubtedly happen, possibly frequently e.g. annually or more frequently. • Imminent/near miss
4	Probable	<ul style="list-style-type: none"> • Will probably occur in many circumstances. • Will probably happen, but not a persistent issue. • Has happened in the past.
3	Likely	<ul style="list-style-type: none"> • Could occur in certain circumstances. • May happen occasionally. • Has happened elsewhere
2	Possible	<ul style="list-style-type: none"> • May occur only in exceptional circumstances. • Not expected to happen but is possible. • Not known in this activity.
1	Rare	<ul style="list-style-type: none"> • Is never likely to occur. • Very unlikely this will ever happen

Impact

Score	Description	Draft indicative guidelines
5	Catastrophic	<p>Risks which can have a catastrophic effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public, for example:</p> <ul style="list-style-type: none"> • Unable to function without aid of Government or other external agency. • Inability to fulfil obligations. • Medium to long-term damage to service capability. • Severe financial loss - supplementary estimate needed which will have a catastrophic impact on the Council's financial plan and (>£200k uninsured loss). • Death. • Adverse national publicity - highly damaging, severe loss of public confidence. • Litigation certain and difficult to defend. • Breaches of law punishable by imprisonment.
4	Major	<p>Risks which can have a severe effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public, for example:</p> <ul style="list-style-type: none"> • Significant impact on service objectives. • Short to medium-term impairment to service capability. • Major financial loss - supplementary estimate needed which will have a major impact on the Council's financial plan (>£100k uninsured loss). • Extensive injuries, major permanent harm, long-term sick. • Major adverse local publicity, major loss of confidence. • Litigation likely and may be difficult to defend. • Breaches of law punishable by fines or possible imprisonment.
3	Moderate	<p>Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget, for example:</p> <ul style="list-style-type: none"> • Service objectives partially achievable. • Short-term disruption to service capability. • Significant financial loss - supplementary estimate needed which will have an impact on the Council's financial plan (>£50k uninsured loss). • Medical treatment required, semi-permanent harm up to one year. • Some adverse publicity needing careful public relations. • High potential for complaint, litigation possible. • Breaches of law punishable by fines only.
2	Minor	<p>Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences, they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. For example:</p> <ul style="list-style-type: none"> • Minor impact on service objectives. • No significant disruption to service capability. • Moderate financial loss - can be accommodated at service level (>£10k uninsured loss). • First aid treatment, non-permanent harm up to one month. • Some public embarrassment, no damage to reputation. • May result in complaints/litigation. • Breaches of regulations/standards.

1	Insignificant	<p>Risks where the consequences will not be severe, and any associated losses will be relatively small. As individual occurrences, they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. For example:</p> <ul style="list-style-type: none"> • Minimal impact, no service disruption. • Negligible impact on service capability. • Minimal loss - can be accommodated at service level (<£5k uninsured loss). • No obvious harm/injury. • Unlikely to cause any adverse publicity, internal only • Breaches of local procedures/standards.
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Both gross (before internal controls/mitigation) and residual (after internal controls/mitigation) scores should be identified to review and monitor the effectiveness of the controls in place. It is expected that gross scores are reviewed annually and residual scores at least quarterly.

The residual scores are then plotted onto the risk matrix, see below, which will determine the risk priority.

Occurrence and impact scale	1 - Catastrophic	2 - Major	3 - Moderate	4 - Minor	5 - Insignificant
1 - Rare	Low 5	Low 4	Low 3	Low 2	Low 1
2 - Possible	Medium 10	Medium 8	Medium 6	Low 4	Low 2
3 - Likely	High 15	High 12	Medium 9	Medium 6	Low 3
4 - Probable	Very high 20	High 16	High 12	Medium 8	Low 4
5 - Almost certain	Extreme 25	Very high 20	High 15	Medium 10	Low 5

1.3 Risk Control

Risk control is the process of taking action to reduce or minimise the likelihood of risk events occurring and reducing the severity of the consequences should it occur.

In broad terms risks are split into three categories:

- Strategic – those risks relating to the long-term goals of the Council
- Operational – risks related to the day-to-day operation of each individual service

- Project – consideration of the risks occurring as a result of the Council's involvement in specific initiatives.

Risks that score the highest are managed via a management action plan. The action plan will detail the risk, identify the required management action/control and who is responsible for delivering the improvement and provide a timescale. All red risks require action plans.

Medium (Amber) risks will require actions plans or to be closely monitored as appropriate.

Low-scoring (Green) risks can be “accepted” and will not require actions plans. However, these risks will need to be monitored to ensure that controls remain operational to manage them and that such risks do not become Medium (Amber) or High (Red) risks.

Where it is not deemed appropriate to accept the risk, the actions on the will either minimise the likelihood of the risk event occurring or reducing the severity of the consequences should it occur. There are 3 main options for controlling risk;

- avoidance,
- reduction and
- risk transfer.

Risk avoidance involves the Council opting not to undertake a current or proposed activity because it is considered to be too risky.

Risk reduction is dependent on implementing actions which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.

Risk transfer involves transferring liability for the consequences of an event to another body. This may be done in two ways:

- (i) Cost, delivery or legal liability may be transferred to an alternative provider under contractual/partnership arrangements for service delivery; it should be remembered that some responsibility may be retained for ensuring that the risk is managed e.g. Health & Safety.
- (ii) The costs associated with a damaging event may be reduced by transferring some or all of the financial risk to external insurance companies; it should be remembered that many risks are uninsurable.

Most risks are managed by either minimising the likelihood of the risk occurring or reducing the severity of the consequences should the risk occur. Relatively few risks have to be avoided or transferred.

The cost/benefit of each control action must be assessed. Managers will apply professional knowledge and experience to judge whether the financial cost of risk control is justified in terms of non-financial benefit to the Council. On

occasions, managers may conclude that the cost of the control action may outweigh the benefits which will accrue to the Council as a result of the action being taken. In such instances, where no statute is likely to be breached all, or an element of the risk is retained.

Responsibility for drawing up the action plans lies with the Leadership Team (for strategic risks) and with Service Managers for service / operational risks.

1.4 Risk Monitoring

The risk management process does not finish with the risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of the risk has changed over time. No matter how good the process to identify and control risks is, it will not be effective unless the information gained from it is reported and used to influence other management issues / processes. Therefore, it is essential that there is a defined process and timetable for reporting the results of the risk management process to both members and officers.

The Corporate **strategic risks** are reviewed quarterly by the Corporate Leadership Team (CLT). The ownership of strategic risks will be the ultimate responsibility of members of CLT who will have the lead role for these issues. The corporate strategic risks and associated action plans are recorded and monitored using an appropriate risk management software package (Pentana).

Operational risks - reviewed quarterly by the responsible manager in consultation with their CLT member, who have the ownership for these risks.

Any specialist operational/health & safety risks that arise will be collated by the responsible Service Managers in conjunction with the Corporate Risk Officer for review and introduction into the process.

Programme or project risks are reported through the project management process, managed by the programme or project manager and reported to the programme or project board.

On a quarterly basis, the strategic and operational risk registers are reviewed and where necessary risks re-prioritised. Risks are amended to reflect the current situation; obsolete risks should be deleted, and new risks identified. This ensures that risk registers and mitigation actions are appropriate for the current service and corporate objectives

A six-monthly report is presented to Audit Committee detailing the current strategic risks and high-level operational risks and the progress made in controlling them. It will be the role of the Audit Committee to review and make recommendations on the key risks to Cabinet.

The top strategic risks will be reported to Cabinet on a 6 monthly basis.

Action plans developed to manage both strategic and operational risks will be monitored as part of the performance management process. This will ensure

the integration of risk management with other processes and ultimately ensure its profile and success is maintained.

Risk assessments are included as a section in all policies and reports, so that risk is considered in everything the council does.

Categories of risk

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment	New political arrangements. Political personalities, Political make-up
Economic	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives	Employee levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives	ICT infrastructure, Employee/client needs, security standards Data protection
Legislative	Associated with current or potential changes in national law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the Council's corporate strategic objectives	Land use, recycling, pollution
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Loss of revenue Fail to win quality accreditation
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens. This also includes Public perception as a consequence of adverse publicity	Managing expectations, extent of consultation-
Managerial/ Professional	Associated with the particular nature of each profession, internal protocols and managerial skills & abilities	Employee restructure, key personalities, internal capacity, recruitment, development and welfare
Financial	Associated with financial planning and control and the adequacy of insurance cover and internal funds	Budget overspends, level of Council tax, level of reserves and ability to set a balanced budget
Legal	Related to possible breaches of legislation	Client brings legal challenge
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver; partnership agencies do not have common goals
Physical	Related to fire, safety, maintenance, accident prevention, security, and health and safety	Offices in poor state of repair, use of equipment