Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 14 December 2022
Subject:	Corporate Risk Management		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

The Corporate Risk Register is presented to each meeting of the Audit and Governance Committee. Since the last Committee meeting in September 2022, the Corporate Risk Register has been reviewed and updated.

The ownership of the content of the Corporate Risk Register lies with the Strategic Leadership Board.

One new risk has been added to the Corporate Risk Register this quarter.

- Demand and cost of home to school transport

One risk has been de-escalated to the relevant Service Risk Register this quarter where it will continue to be assessed and monitored. This risk is:
- Failure to manage and support response to pandemic

The Children's Services Service Risk Register has undergone significant revision with four current risks which have been included in the Corporate Risk Register due to their score. These risks are:
- The provision of Children's Social Care is not financially sustainable
- Market failure of Social Care provision across Adult and Children's
- Failure to manage increasing demand for services
- Impact of regulatory framework outcomes

These risks replace the existing risks shown in the Corporate Risk Register which are:
- Failure to deliver the agreed Children's Services Improvement Plan
- Demand and cost of placements and packages within Children's Social Care leads to impact on financial sustainability of the Council
- Children's Services workforce failure to be able to recruit and retain a suitably qualified workforce leading to large turnover of staff, unstable workforce and poor outcomes for children
- The Council cannot demonstrate it has the capacity or capability to meet

the requirements of its Children's Services Improvement Plan and move from inadequate to good resulting in the recommendation that it becomes a Children's Trust.

Although there has been substantial work undertaken over the past six years to embed risk management across the Council there continues to be work required to ensure that it is consistently and effectively embedded.

A presentation on "Failure to adequately invest in the Highway network and associated assets" corporate risk will be provided to Members at December meeting.

Meetings have been held with Officers and Members to develop the Council's Risk Appetite. The draft risk appetite proposal is currently being considered by management to agree the next steps.

Recommendation(s):

(1) Consider the updated Corporate Risk Register, noting the nature of the major risks facing the Council, and the controls and planned actions in place to mitigate these.

Reasons for the Recommendation(s):

A robust system of risk management will assist the Council in meeting its identified objectives.

Alternative Options Considered and Rejected: (including any Risk Implications)

None.

What will it cost and how will it be financed?

(A)   Revenue Costs - There are no direct financial implications arising from this report. However, the Council benefits from the work of the section in reducing the impact and likelihood (and so the cost) of risk.

(B)   Capital Costs - There are no direct capital costs arising from the report.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):   There are no direct resource implications.
Legal Implications: There are no legal implications.
Equality Implications: There are no equality implications.

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	Y
Have a neutral impact	N
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

The report provides a summary of the risks identified and managed that will impact on the delivery of the Council's purpose. The Corporate Risk Register includes a Climate Change Emergency risk with actions to mitigate its impact and likelihood.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Positive
Facilitate confident and resilient communities: Positive
Commission, broker and provide core services: Positive
Place – leadership and influencer: Positive
Drivers of change and reform: Positive
Facilitate sustainable economic prosperity: Positive
Greater income for social investment: Positive
Cleaner Greener; Positive

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD7035/22) and the Chief Legal and Democratic Officer (LD5235/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee / Council meeting.

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Appendices:

The following appendices are attached to this report:

- Corporate Risk Register December 2022

Background Papers:

None

1. **Introduction/Background**

1.1 Risk Management is defined as 'systematic application of principles, approach and processes to the task of identifying and assessing the risk and the planning and implementing of risk responses.'

1.2 The Risk Management Strategy included in the Corporate Risk Management Handbook, which is presented to the Audit and Governance Committee on an annual basis for approval, states that

1.2.1 "Risk Management is to be an integral part of the planning and decision-making processes of the Council and that the Strategy is intended to ensure that Risk Management is embedded in the overall planning process.

1.2.2 Risk management is a central part of Council's strategic management and its corporate governance. Effective risk management makes sound business sense and is a good management tool as it helps to ensure that the corporate strategic objectives, in this case Sefton 2030, are achieved. The focus of good risk management is the identification and treatment of risks that could affect the delivery of these objectives.

1.2.3 Risk management should be a continuous and developing process which runs throughout the Council's activities. A systematic approach to identifying and analysing risks is an integral part of all management processes and day-to-day working, rather than a separate initiative."

1.3 The responsibilities for risk management within Council are detailed in the Constitution within the Financial Procedural Rules. Selected extracts include:

123 The Council's approach to Risk Management is that it should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.

124 The Section 151 Officer develops the strategy and supporting framework on behalf of Executive Directors and Heads of Service. The Audit and Governance

Committee scrutinise the risk management process ensuring the Council's risks are managed effectively.

125 Executive Directors and Heads of Service are responsible for ensuring the Risk Management Strategy is implemented and that the full risk management cycle operates within their Service.

128 Executive Directors and Heads of Service are responsible for ensuring risk management is carried out at both an operational and strategic level in accordance with the agreed guidance and procedures.

129 Executive Directors and Heads of Service will take account of, and address, corporate risks and inform the Chief Internal Auditor of any service risks that should be considered significant enough to rise to the corporate risk register level.

130 Service and operational risk registers, and associated actions, should be reviewed on a regular basis (at least quarterly) as part of the performance management process.

1.4   Whilst the process of risk management is routinely undertaken within the Council in a number of areas, both at a strategic level and operationally, it is recognised that there is still scope, to develop a more integrated risk management approach. This report seeks to continue the process of formalising a system of robust Corporate Risk Management and embedding this further into the organisation. The Corporate Risk Management Handbook outlines that there should be three tiers of risk registers in place across the organisation which are identified through the scoring of the risks:
  •   Corporate Risk Register (CRR)– risks scored at 16 plus and these are the key risks affecting the Council
  •   Service Risk Registers (SRR)– risks scored between eight and 15 which are owned and managed by the Head of Service.
  •   Operational Risk Registers (ORR) – risks scored at seven and below which are owned and managed by Service Managers.

1.5   An updated CRR is presented at each meeting of this Committee for Members to consider. The ownership of the content of the Corporate Risk Register lies with the Strategic Leadership Board. The CRR has been shared with and reviewed by senior officers to ensure that the risk register reflects the most significant risks facing the Council. The completion of a risk register also demonstrates that the Council has set out an approach to mitigate the risks that have been identified. The updated CRR is set out at Appendix A, using the revised scoring approved by Members in December 2020, for noting by the Committee.

1.6   The SRR are owned and should be reviewed by the Assistant Directors (previously known as Heads of Service) on a quarterly basis and provided to the Risk and Audit team for information. The completed Service Risk Registers are used by Audit as an agenda item in the formal quarterly meeting with the Assistant Directors and are also used for the monthly budget meetings that are held by Finance with the Service Management teams. It should also be noted that, the content of the corporate risk register is also used as part of the quarterly

performance report that is now presented to cabinet alongside financial and key performance measures.

1.7 The Operational Risk Registers are owned and revised by Service Managers. Members may remember that the Risk and Resilience Team assisted by the Internal Audit Team completed an exercise in 2018/19 to fully implement this tier of risk registers across the organisation facilitating the completion of over 70 risk registers. This exercise was completed in March 2019. The Risk and Resilience Team, assisted by the Internal Audit Team, work with the individual teams to facilitate regular reviews of the risk registers which will help to embed risk management at the centre of the Council's activities.

2. Key Developments

2.1 <u>External operating environment</u>

2.1.1 The external operating environment has continued to evolve over the past quarter building on a number of significant external events occurring in the previous six months.   These events can affect existing risks by potentially increasing the impact and/or likelihood as well as create new risks which could potentially detrimentally impact on the achievement of the Council's strategic objectives

2.1.2 Some of the events that have occurred include
- UK inflation continuing to increase at a rate substantially greater than originally planned impacting on organisations and individuals
- Substantially increased energy costs for organisations, business and individuals during the next six months
- Supply chain issues continuing post Covid-19 and complicated by Ukraine invasion
- Bank of England interest rate increases raising rates than originally perceived and potentially at a faster rate
- Heightened cyber security risks remaining following invasion of Ukraine
- Changes in the UK Government leadership
- Bank of England forecast of a UK recession starting in Q4 2022/23
- Autumn Statement

A number of these risks are now reflected in the narrative and scoring of the Corporate Risk Register.

2.2 Corporate Risk Register (CRR)

2.2.1 Since the June 2022 update to the Audit and Governance Committee, the CRR has been reviewed and updated. The main changes include:

2.2.2 There has been one new risk added to the CRR this quarter.
- Demand and cost of home to school transport

2.2.3 One risk has been de-escalated to the relevant Service Risk Register this quarter where it will continue to be assessed and monitored. This risk is:
- Failure to manage and support response to pandemic

2.2.4 The SRR for CSC has undergone significant revision with four current risks which have been included in the Corporate Risk Register due to their score. These risks are:
- The provision of Children's Social Care is not financially sustainable
- Market failure of Social Care provision across Adult and Children's
- Failure to manage increasing demand for services
- Impact of regulatory framework outcomes

2.2.5 These risks replace the existing risks shown in the CRR which are:
- Failure to deliver the agreed Children's Services Improvement Plan
- Demand and cost of placements and packages within Children's Social Care leads to impact on financial sustainability of the Council
- Children's Services workforce failure to be able to recruit and retain a suitably qualified workforce leading to large turnover of staff, unstable workforce and poor outcomes for children
- The Council cannot demonstrate it has the capacity or capability to meet the requirements of its Children's Services Improvement Plan and move from inadequate to good resulting in the recommendation that it becomes a Children's Trust.

2.2.6 There have also been a number of changes to the narrative within the report.

2.3   Service Risk Registers (SRR)

2.3.1 The March 2021 update highlighted that the position on the completion of the quarterly updates on the SRR, in line with the requirements detailed in the Corporate Risk Handbook, would be provided to the Committee indicating how many had been updated and shared with the Risk and Resilience Team on a rolling 12-month basis. A copy of the SRR is requested at the same time updates for the Corporate Risk Register are invited to be updated.

2.3.2 A total of six SRRs were provided for 2nd quarter 2021/22 with one being provided late.

2.3.3 All of the SRRs (100%) were provided for 3rd quarter 2021/22 although one was provided late in the process.

2.3.4 A total of five SRRs (50%) have been provided for the 4th quarter 2021/22.

2.3.5 A total of nine (90%) SRRs have been provided for 1st quarter 2022/23

2.3.6 A total of eight (80%) SRRs have been provided for 2nd quarter 2022/23.

2.3.7 A total of eight (80%) SRRs have been provided for 3rd quarter 2022/23. We are working with two of the Service Areas to improve their SRR. We are assisting the team with the outstanding SRR to complete this.

2.3.8 There has been no deterioration this quarter in the provision of the SRRs being returned on time and we are working closely with three Assistant Directors to both improve and facilitate the completion of the reviews on time. The above findings indicate that the completion of the SRRs, in line with the Corporate Risk

Handbook has generally improved over the past three quarters however consistent completion on time remains key to ensuring that there is an effective risk management system within the Council.

2.3.9 Focus on work during the next quarter will be on ensuring that the SRRs are updated taking into consideration the risks within the Operational Risk Registers as well as ensuring that there is a 100% response to the quarterly request for an SRR. We are going to be looking qualitatively at the SRRs and provide feedback to the risk owners.

2.4 **Operational Risk Registers (ORR)**

2.4.1 The Risk and Resilience team have requested the six monthly reviewed/updated ORRs from risk owners during July 2022. We are slowly receiving the outstanding ORRs. Cross checks will be made to ensure the escalation process for risk is fully embedded and relevant risks are escalating from Operational to Service Registers where appropriate. The Risk and Resilience team are continuing to work with Communities and Education Excellence to further develop ORRs that reflect the structure within these service areas.

2.5 **Proposed actions from June 2021**

2.5.1 In order to address the issues identified with the embedding of risk management in June 2021, all Assistant Directors were engaged, and the following actions identified and agreed in order to improve how risk management is embedded within the organisation. An update on the action is included below in italics:

2.5.2 Assistant Directors will consider whether the CRR should be developed further to take account of wider strategic risks facing the organisation. *Three further strategic risks were identified in 2021/22 and included in the CRR, with a further three being added in this current financial year.*

2.5.3 It is important that to properly embed risk management that risk is an agenda item on the Departmental Management Team in each of the Service Areas on at least a quarterly basis. *Guidance has been provided previously to Assistant Directors on the proposed agenda item and testing of agenda and minutes will be undertaken in January 2023.*

2.5.4 The sharing of the SRR with the relevant Cabinet Member will take place on a quarterly basis. Assistant Directors were requested to provide evidence in March 2022 that in the last quarters evidence was provided that the SRR had been shared with the relevant Cabinet Member. *Testing in April/ May 2022 as previously reported to the June 2022 Committee update, noted that there had been progress although it was not a consistent picture across all of the Service areas. Further testing will be undertaken before the end of the 2022/23 financial year to determine the current picture.*

2.5.5 The Audit and Governance Committee approved that the Corporate Risk Register should be posted on the intranet Risk and Resilience page with notification to be sent on the intranet news for all staff. *(completed).*

2.5.6 An e-learning package on risk management is to be launched across the Council during the next 12 months. *We had engaged a risk management provider to the Council, through the external Insurance Programme, to develop e-learning training content on risk management which was completed by end of November 2021. The e-learning content had been received and it was identified further enhancements were required to ensure that it was tailored for the right audience. We have refined the content and the first part of the e-learning training was finished by the end of June 2022. We have road tested the contents with colleagues and are currently working with Learning and Development colleagues to transfer the content to the e-learning library before wider rollout to Members and colleagues from January 2023.*

2.5.7 The consideration of including the risks associated with the agenda item on Committee papers linked to the appropriate Corporate Objective. *The Executive Director for Corporate Resource and Customer Services has confirmed that the intention is to implement this by the end the 2022/23 financial year after the assessment of the Climate Emergency addition on the header page has been assessed.*

2.5.8 Considering including an agenda item on each of the SLB/ELT meeting at the end of the meeting to consider whether any of the content of the agenda/discussions has an impact on the current risk register. *The Executive Director of Corporate Resources & Customer Services has confirmed this agenda item is now in place*

2.6 Risk Appetite

2.6.1 The work started on defining the draft risk appetite statement in March/April 2022 and it was envisaged that draft documents would be ready to be shared in June 2022. The draft risk appetite proposal is currently being considered by management to agree the next steps.

2.7 Corporate Risk Management Handbook

2.7.1 A revised version of the Corporate Risk Handbook was provided to Members at the September 2022 meeting and was approved. A further review will be required to take place following the completion of the risk appetite work.

2.8 Next steps

2.8.1 Following on from the approval of the Sefton Assurance framework is the consideration of implementing the three lines of defence model which outlines Internal Audit's role in assuring the effective management of risk, and the importance for delivering this of its position and function in the corporate governance. By mapping out the assurance activities from the various three lines of defence on each of the Corporate Risks this should provide better "comfort" to Members and Senior Officers that key risks are being managed effectively.

2.8.2 The implementation of the three lines model will inevitably require some cultural change in the organisation as there will be the expectation that managers in the 2nd line of defence such as Health and Safety, Finance and Procurement amongst many have responsibility for their systems/policies should undertake active monitoring to determine if their policies/ procedures are embedded within the

organisation and report this to the relevant governing body. Whilst this is done in part over some areas, for example Health and Safety and Risk Management this is not universally completed across the obvious 2nd line activities nor is the principle widely understood at present.

2.8.3   The Internal Audit Team have been undertaking Assurance Mapping for the past 12 months pulling together mainly external and, in some cases, internal sources of assurance that is used to help shape the draft internal audit plan and inform the Annual Chief Internal Auditor's Opinion. Work will continue to take place to refine the approach.

3.   Summary of the current position

3.1   Substantial work has been undertaken to attempt to embed risk management across the Council over the past six years through designing a risk framework, providing training and facilitating the Service and Operational Risk Registers using resources across the Risk and Audit Team. Recent work has been drafting the Sefton Assurance Framework and undertaking Assurance Mapping to inform the Annual Chief Internal Auditor's Opinion and the Annual Internal Audit Plan.

3.2   There is clear evidence of engagement by the leadership team in terms of regularly reviewing the CRR. To demonstrate that risk management is embedded at this level engagement should be universal and consistent over time as highlighted in the update. Improvements required include the regular updating of SRRs, considering the outcome of the ORR's when looking at SRR and sharing the SRR with the relevant Cabinet Member.

3.3   There has been an improvement in the updating of SRRs over the past three quarters although this is not consistently 100% of all SRRs.

3.4   The development of the Council's risk appetite, which is nearly completed, will help to further embed risk management within the Council.

3.5   There is further work planned to improve risk management within the organisation through the adoption of Three Lines of Defence model and the Assurance Mapping of key risks.

4.   Presentation to the Audit and Governance Committee Meeting

4.1   At the Audit and Governance Committee in December 2019 it was agreed that for each meeting a short presentation would be made by a risk owner on one of the risks from the Corporate Risk Register. The briefing, in line with good practice on risk management, should be on the background to the key risk, the current controls and the actions to mitigate the risk further.

4.2   A presentation will be provided to Members at the December 2022 meeting on "Failure to adequately invest in the Highway network and associated assets" risk from the Corporate Risk Register
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