

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 20 March 2024
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 December 2023, 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 in accordance with the Corporate Risk Management Handbook approved by the Committee.

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

- Increase in Academisation of Schools in the Borough.

One risk has been de-escalated and will continue to be monitored on the appropriate Service Risk Register.

- Requirement to work collaboratively with Sefton New Directions to review delivery model.

A presentation on Market Failure of Social Care across Adults and Children's from the Corporate Risk Register will be provided to Members at the March meeting.

There are other on-going initiatives to embed risk management within the Council including assurance mapping and horizon scanning.

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 risks.

(2) Note the progress on the embedding of risk management within the Council.

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.	
Impact on Children and Young People: Yes There are a number of Children’s Services related risks in the Corporate Risk Register. There are no direct implications as the existing controls and further actions are a summary of what has already been agreed. Where risks are managed effectively the achievement of the Council’s objectives in this case for Children’s Services will more likely be achieved.	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	Yes
Have a neutral impact	No
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes
The report provides a summary of the risks identified and managed that will impact on the delivery of the Council’s purpose. The Corporate Resources and Customer Services Service 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 (FD 7560/24) and the Chief Legal and Democratic Officer (LD 5660/24) 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 meeting.

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Appendices:

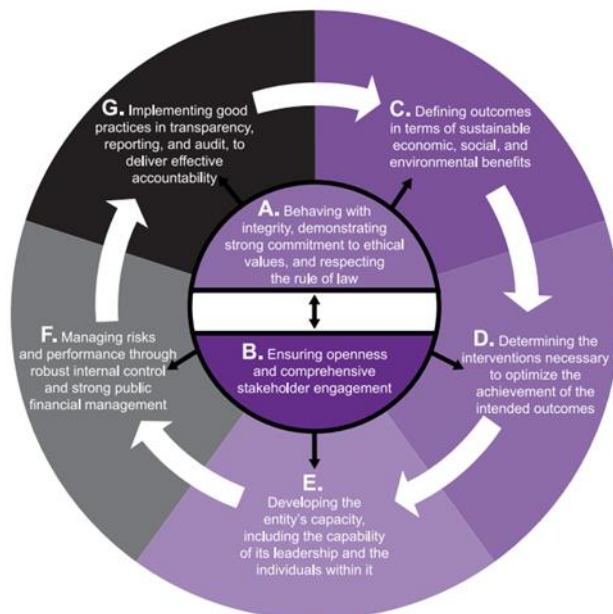
- Corporate Risk Register March 2024

Background Papers:

There are no background papers available for inspection.

1. Introduction

- 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 Chartered Institute for Public Financial Accountant, the key regulator on governance for the Public sector outlines in the publication "Delivering Good Governance in Local Government: Framework" (CIPFA/Solace 2016), the approach to ensure that there is effective governance in place using a number of principles, detailed in the diagram below. One of the key principles is on risk management although risk is a cross cutting theme through the guidance.



- 1.3 Principle F – outlines that managing risk and performance through robust internal control and strong public financial management which reinforces that risk management is an integral part of good governance.
- 1.4 There are three sub principles which are:
- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
 - Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
 - Ensuring that responsibilities for managing individual risks are clearly allocated.
- 1.5 Each year as part of the Annual Governance Statement a review of each of the principles from the above guidance is undertaken to produce the statement which is included in the Annual Accounts and is noted by the Audit and Governance Committee.
- 1.6 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:

- 1.6.1 “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.
- 1.6.2 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.
- 1.6.3 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.”
- 1.7 The responsibilities for risk management within Council are detailed in the Constitution within the Financial Procedural Rules section. 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 (Now referred to as Assistant Directors). 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.
- 1.8 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 (CRMH) 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 19 plus. These are the key risks affecting the Council.
- Service Risk Registers (SRR)– risks scored between seven and 18 which are owned and managed by the Head of Service.
- Operational Risk Registers (ORR) – risks scored at six and below which are owned and managed by Service Managers.

1.9 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 September 2022, for noting by the Committee.

1.10 The SRRs are owned and should be reviewed by the Assistant Directors 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 six-monthly meeting with the Assistant Directors and are also used for the monthly budget meetings that are held by Financial Management with the Service Management teams.

1.11 The Operational Risk Registers are owned and revised by Service Managers. 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 External operating environment

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 24 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 and still impacting include.

- UK inflation although falling has been substantially greater than originally planned impacting on organisations and individuals.
- Energy costs whilst lower than 12 months ago are higher than before the invasion of Ukraine.
- Combination of significantly higher than planned inflation, food cost inflation and increased energy costs leading to a cost of living impact to households.
- Supply chain issues continuing post Covid-19 and complicated by Ukraine invasion and the restriction of the use of Suez Canal.
- Geopolitical tensions in the Middle East

- Bank of England interest rate increases raising bank lending interest rates higher than originally perceived.
- Heightened cyber security risks remaining following invasion of Ukraine.

2.2 Corporate Risk Register (CRR)

2.2.1 Since the December 2023 update to the Audit and Governance Committee, the CRR has been reviewed and updated. The main changes include:

2.2.2 One new risk has been added to the Corporate Risk Register in the current quarter.

- Increase in Academisation of Schools in the Borough.

2.2.3 One risk has been de-escalated and will continue to be monitored on the Service Risk Register.

- Requirement to work collaboratively with Sefton New Directions to review delivery model.

2.2.4 There have been several changes to the narrative within the CRR and a revised process has been agreed with the draft CRR being provided firstly to the Executive Leadership Team and then the Strategic Leadership Board for information before being provided to the Audit and Governance Committee for noting. The Corporate Risk Management Handbook will be updated with this revised process following the introduction of risk appetite on the Committee header sheet.

2.3 Service Risk Register (SRR)

2.3.1 The March 2021 update highlighted that the position on the completion of the quarterly updates on the SRRs, 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 from each Service Area is requested at the same time updates for the Corporate Risk Register are requested from members of Strategic Leadership Board. The following provides details of the outcome of the SRR response for a rolling five quarters.

2.3.2 A total of ten (100%) SRRs have been provided for Q4 2022/23.

2.3.3 A total of eight (80%) SRRs have been provided for Q1 2023/24.

2.3.4 A total of nine (90%) SRRs have been provided for Q2 2023/24

2.3.5 A total of nine (90%) SRRs have been provided for Q3 2023/24

2.3.6 A total of nine (90%) SRRs have been provided for Q4 2023/24

2.3.7 We have worked with all Service Areas to ensure that there is an updated Service Risk Register for this quarter including the Service Area that has not provided their updated Service Risk register. We are aware that changes have been made to the

content however the completed SRR has not been provided at the time of writing the report.

- 2.3.8 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 continue to work with Service Managers and Assistant Directors from selected service areas to ensure the escalation process for risk is fully embedded and relevant risks are escalating from ORR to SRR and SRR to CRR where appropriate. It is noted that the escalation process does not appear to be embedded in every Service Area and in some cases SRRs appear to be completed without consideration of ORR content. Some ORRs are not being updated regularly in line with guidance and there are some outliers where ORRs are not routinely in place, and we are continuing to work with Teams to facilitate their completion.

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 to improve how risk management is embedded within the organisation. As previously reported a number of key actions have been completed with the exception of the following:
- 2.5.2 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 was undertaken in January 2023. Testing in June 2023 has confirmed a similar picture with all but one Service Area holding at least one formal agenda item each quarter on risk. Testing in September 2023 confirmed a similar position to June 2023 with the same Service Area not holding a formal agenda item on risk each quarter. We will undertake further testing for the June 2024 update.*
- 2.5.3 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. Testing in June 2023 has confirmed that all but one Service Area has shared their SRR with the relevant Cabinet Member. Testing in September 2023 confirmed that two Service Areas had not or were not sharing their SRR with their Cabinet Member. We will undertake further testing for the June 2024 update.*
- 2.5.4 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 revise the content and it is envisaged to transfer the content to the e-learning library before wider rollout to Members and colleagues from May 2024.

2.6 Risk Appetite

2.6.1 Following the approval of the Council Risk Appetite Framework in March 2023 the Team has designed training for the Departmental Management Team members, in each Service Area, who normally completed the Committee papers. This training has been rolled out over the summer and concluded in September 2023. The team is awaiting confirmation from the Chief Monitoring Officer on the timetable for revising the format of Committee paper header to include risk appetite before it can be launched formally across the organisation.

2.7 Next steps

2.7.1 Following on from the approval of the Sefton Assurance framework has been work on developing a Sefton Assurance Map detailing the assurance from each of the three lines against each key corporate risk in the CRR assessing the three lines of defence assurance each of the corporate risks. The work has been substantially completed and is currently with the Executive leadership Team for information.

2.7.2 As part of the insurance tender in September 2024 two insurers have included essentially free risk bursaries to enable the Council to improve its risk management practices.

- We are proposing one of the insurers reviews and provides assurance on the embedding of the Council's Risk Management Strategy during the 2023/2024 financial year.
- With the second insurer we are holding a horizon scanning session with Strategic Leadership Board/ Executive Leadership Team to identify and assess longer term risks which may impact on the achievement of the Council's objectives over the next three to five years. They will also review the Sefton Assurance Map to provide assurance on the work that has been undertaken and to provide highlight any proposed improvements.

3. External Risk Information

3.1 This section provides details of two recent publications published in January 2024 which provides context and background to the operating environment from two contrasting perspectives.

World Economic Forum (Davos)

3.2 Each year the World Economic Forum provides details of its top ten global risks for the next two years and the next ten years. The report for 2024 outlines that:

- 3.3 The top ten risks for the next two years include five risks revolving around climate change from failing to plan effectively to unusual weather and environmental catastrophes. Other risks include heightened geopolitical tensions, cyber security and three risks surrounding cost of living, societal cohesion, polarization and large movement of migration.
- 3.4 The top ten for the next ten years includes the same risks as the next two years with the removal of cost of living, an additional climate change risk and all of the climate change risks being in the top five of the table.

Aon (Global Insurance Broker)

- 3.5 Each year Aon carry out a global survey of business leaders and provide results by segments in this case the UK for both current and future risks. The details of the risks are detailed below.

Current Risks ranked	Future Risks ranked
1. Cyber Attack or Data Breach	1. Cyber Attack or Data Breach
2. Failure to Attract or Retain Top Talent	2. Economic Slowdown or Slow Recovery
3. Economic Slowdown or Slow Recovery	3. Artificial Intelligence (AI)
4. Damage to Brand or Reputation	4. Climate Change
5. Failure to Innovate or Meet Customer Needs	5. Failure to Attract or Retain Top Talent
6. Business Interruption	6. Failure to Innovate or Meet Customer Needs
7. Regulatory or Legislative Changes	7. Geopolitical Volatility
8. Cash Flow or Liquidity Risk	8. Regulatory or Legislative Changes
9. Supply Chain or Distribution Failure	9. Cash Flow or Liquidity Risk
10. Climate Change	10. Environmental Social Governance (ESG) and Corporate Social Responsibility (CSR)

- 3.6 The report highlights that cash flow and liquidity risk is a recent addition which reflects the persistently high inflation and bank interest rates which have contributed to the cost of living crisis. The report notes that the tight UK labour market continues which aligned to sluggish growth make it difficult for organisations to pay higher wage costs to attract staff which in turn impacts on innovation and productivity.
- 3.7 Cyber-attack or data breach—another complex and continually fast-paced, evolving risk with close ties to business interruption, and damage to brand or reputation. As geopolitical volatility persists, cyber-attacks have become more frequent.
- 3.8 The UK was the only region surveyed in which respondents ranked climate change among their top 10 current risks, at number 10. Climate change has been affecting the UK via rising temperatures: 2022 was the UK's hottest year on record, with an average year-round temperature higher than 10°C.

- 3.9 One Aon perceived underrated risk area given workforce shortages, intense competition for talent and expanded regulation around environmental disclosures and impacts, is environmental social governance (ESG) and corporate social responsibility (CSR). The report highlights that organisations seen as being forward-thinking, ready to embrace change, actively engaged in corporate social responsibility and vigilant about governance can have substantial competitive advantages over their peers, both in terms of ability to attract talent and in terms of shareholder expectations.
- 3.10 The Aon reported noted that Respondents from the UK ranked artificial intelligence (AI) as the number three future risk, higher than any other region surveyed. Indeed, the UK has been at the forefront of regulating the use of AI within the country, beginning with a policy paper on the topic published in July 2022 and followed up with a March 2023 white paper proposing a national AI regulatory framework based on five broad principles around safety, transparency, fairness, accountability and redress.
- 3.11 The report notes that AI risk is difficult to quantify. UK respondents are aware that AI will have major implications for business, but its practical applications and potential competitive advantages are largely ill-defined, and expert commentary on its potential dangers is both ominous and louder than any discussion about the benefits of AI. Effective strategies for assessing AI vulnerabilities will emerge over time.

4. Summary of the current position

- 4.1 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 to facilitate improvements. 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.
- 4.2 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 consistent regular updating of SRRs, considering the outcome of the ORR's when looking at SRR and sharing the SRR with the relevant Cabinet Member and the Risk team when requested.
- 4.3 There has been an improvement in the updating of SRRs over the past 12 months although it is not fully embedded. ORRs remain an area to be improved across the Council and we are continuing to work with teams to facilitate this across the organisation.
- 4.4 The implementation of the Council's risk appetite, will help to further embed risk management within the Council and should improve corporate decision making. We are awaiting the redesign of the Committee agenda before this can be finally rolled out across the organisation.

4.5 There is further work planned to improve risk management within the organisation through the adoption of assurance mapping of key risks as well as horizon scanning for risks over the next three to five years. Work will be undertaken to assess the Council's risk management arrangements during 2024/25 using the Council's risk management bursary.

5. Presentation to the Audit and Governance Committee Meeting

5.1 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.

5.2 A presentation on Market Failure of Social Care across Adults and Children's from the Corporate Risk Register will be provided to Members at the March meeting.