

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 19 June 2024
Subject:	Corporate Risk Management		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	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 March 2024, 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.

No new risk(s) has been added to the Corporate Risk Register in the current quarter.

No risks have been de-escalated from the Corporate Risk Register.

A presentation on a risk from the Corporate Risk Register will be provided to Members at the June meeting.

The Corporate Risk Management Handbook has been updated to reflect some updates identified by the external risk management review and the risk appetite statement.

The external review of risk management draft report has highlighted a number of recommendations to improve risk management.

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.

(3) Approve the revised Corporate Risk Management Handbook.

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 (FD7657/24) and the Chief Legal and Democratic Officer (LD5757/24) 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:

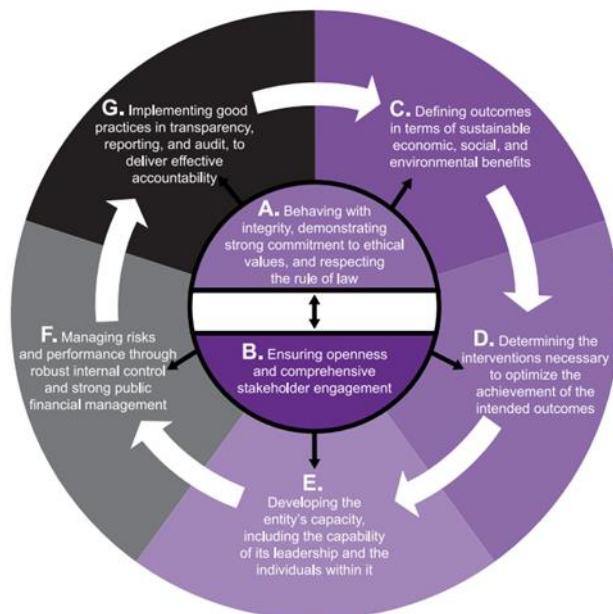
- Corporate Risk Register June 2024
- Corporate Risk Management Handbook

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 approved 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 Assistant Director.
- 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 March 2024 update to the Audit and Governance Committee, the CRR has been reviewed and updated. The main changes include:
- 2.2.2 No new risk(s) have been added to the Corporate Risk Register in the current quarter.
- 2.2.3 No risk(s) have been de-escalated to the relevant Service Risk Register.
- 2.2.4 There have been several changes to the narrative within the CRR to reflect improvement in controls and proposed actions.

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 eight (80%) SRRs have been provided for Q1 2023/24.
- 2.3.3 A total of nine (90%) SRRs have been provided for Q2 2023/24
- 2.3.4 A total of nine (90%) SRRs have been provided for Q3 2023/24
- 2.3.5 A total of nine (90%) SRRs have been provided for Q4 2023/24
- 2.3.6 A total of eight (80%) SRRs have been provided for Q1 2024/25
- 2.3.7 We have worked with all Service Areas to ensure that there is an updated Service Risk Register for this quarter.
- 2.3.8 Focus on work during the next quarter will continue 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. In May 2024 the testing confirmed that only four service areas had a agenda item on risk over the past three months which is a notable reduction from the last testing.*
- 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. In May 2024 the testing confirmed that only four service areas had a agenda item on risk over the past three months which is a notable reduction from the last testing.*
- 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 July 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.

2.7 Next steps

2.7.1 Following on from the approval of the Sefton Assurance Map in March 2024 by the Committee a further review will be undertaken later in the financial year to update the Assurance Map before bringing back to Members.

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. The details of the draft findings are detailed below in section 3.
- 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.

2.7.3 We are currently developing Key Risk Indicators for all of the risks in the CRR which will provide through a framework of indicators a quantitative assessment of the risks alongside the qualitative judgement of the risk owners. We have identified a number of measures after discussions with the risk owners and hope to finalise this during the summer of 2024/25.

2.7.4 A review of the Corporate Risk Management Handbook, attached, has taken place which reflects some of the simpler changes highlighted in the external risk management review and the risk descriptors used for the impact scoring to align with the Risk Appetite Framework. A further review of the document will take place in the Autumn 2024 to take forward the more comprehensive changes that the external risk management review has highlighted should be considered. It is planned to bring this back to the Committee in December 2024 for noting.

2.7.5 The Corporate Risk Register will from September 2024 highlight which Cabinet Member, will be responsible for the risk, derived from the risk owner and conversations with Executive Leadership Team.

3. External Risk Management Audit

3.1 The external review undertaken by Gallagher Bassett was completed in February/ March 2024 with the draft report provided on 29 April 2024. The review was completed using the following methodology:

3.2 Stage 1 – Review of Corporate Risk Management Strategy.

A desk-top review of key documents was undertaken. This review focused upon risk management strategies, policies, plans and procedures, risk registers, and minutes of key meetings in which risk management is discussed.

3.3 Stage 2 – Stakeholder Interviews

A series of 12 x one-hour interviews with key internal stakeholders (mostly risk owners and system users) were undertaken between 7th March and 14th March 2024 to determine how the risk management strategy is implemented and its perceived effectiveness. Interviewees were selected from the senior levels of the management hierarchy including Service Managers, Assistant Directors and Executive Directors from various parts of the Council. An overview of the results of the interview process is detailed within the section of this report titled 'Risk Management Health Check Review Findings'.

3.4 Stage 3 – Online Risk Management Survey

In conjunction with the interview process, a short online risk management survey was sent to 163 managers who had not been invited to participate in the interview process. The results of the online survey are detailed within the section of this report titled 'Risk Management Survey Results'.

3.5 The response to the draft report has not been completed and shared with Gallagher Bassett however the key recommendations include:

- Providing more developmental opportunities for staff at all levels to raise understanding particularly amongst front line leaders.
- Updating the Corporate Risk Management Handbook (and appendices) so that it is more user friendly and is clearly recommunicated and available.
- Raising the profile of risk management by publicly celebrating risk management successes within the Council, as well as publishing lessons learned from failures.
- Identifying ways of integrating risk management more overtly so people are aware it's importance within their roles.
- If cross cutting operational risks are being adequately identified and evaluated in a collective / corporate way.
- In the longer term continue to develop the suite of KPI's associated with measuring the performance of the risk management journey and how it can be used more proactively to exploit opportunities.

3.6 A further update after the final report has been agreed will be provided to Members at the September meeting.

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 a slight deterioration in the updating of SRRs over the past 12 months. 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.
- 4.5 There is further work planned to improve risk management within the organisation through the linking of Cabinet Members to the Corporate Risk Register and the roll out of Key Risk Indicators.
- 4.6 The initial findings from the external review of the Council's risk management review have highlighted areas to improve which we will set out an action plan for the next meeting to consider.

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 will be provided to Members at the June meeting.