worcestershire
county council

MANAGE

YOUR

RISK

Prepared by: R. Hallam – Risk & Assurance Manager
Date: October 2020

1. Background

1.1   We recognise that Risk Management is an essential part of delivering good governance in a Local Authority and supports the Council's strategic ambitions in Shaping Worcestershire's Future. Effective and efficient risk governance and oversight provide management with assurance that the Council's business activities will be positively enhanced by opportunities, and not adversely impacted by threats that could have been foreseen. The effective management of risk can support the organisation in delivering transformed services required within the rapidly changing environment of local government.

1.2   The Council has a Corporate Risk Management Policy Statement which acknowledges the need for effective Risk Management, however the associated Strategy has not been fully embedded to create a consistent approach to reporting.

1.3   The Council currently has an inconsistent approach to Risk Management across the organisation including Worcestershire Children First. The challenge is to accurately identify, control and report risk information across a vast range of services to enable the organisation to not only protect itself but to take opportunities for improvement where they present themselves.

1.4   It should be acknowledged that the current Covid crisis has required us to report and respond to risk information and events more rapidly. The operational risk process has had to evolve to capture this information to enable the Council and partners to effectively respond to risk events. We would like to build upon this progression to better define corporate risk approach.

1.5   This report sets out the findings from the review and a series of recommendations for COG to consider, discuss with SLT and enact.
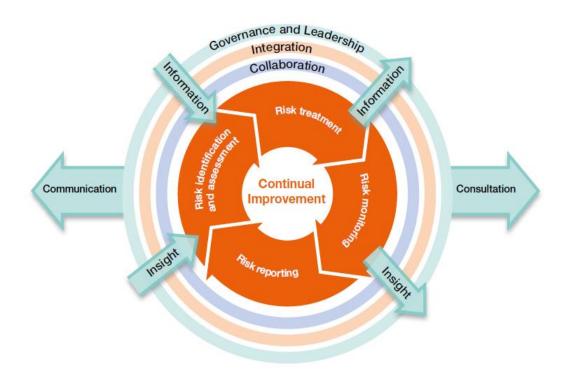
2. The Project Findings

2.1   A Task & Finish group for Risk Management was commissioned by COG and has been led by Michael Hudson, Chief Financial Officer, supported by representatives from each Directorate. In line with the Terms of Reference (*Appendix 2*), the Task Group have held a series of meetings, as well as reviewed various local, project and directorate risk registers and reports to identify any obvious strengths and weaknesses. Strategies and registers were reviewed from other Local Authorities to ensure best practice was being followed and guidance sought from HM Government – The Orange Book and the ISO 31000 2018 standard.

The review has identified:

- No training has been provided for over 10 years and there is a lack of understanding of the fundamental basics of risk reporting. All members of the group agreed that there is a need for training on risk and noted that there are currently no E-Learning courses available on Risk Management.

- Preventable risks that should be recorded at an operational level and managed appropriately, are finding their way on to the Corporate register inflating the number of risks managed at COG/SLT/Cabinet level.

- Risk register formats and scoring systems are not consistent across teams which has created obstacles for those responsible for accurately reporting. This includes project risk and cross-directorate mitigations. It is also recognised that there is often no link between services and the corporate risk register.

- In evaluating the current Corporate risk register, consideration was also taken for the dynamic approach to risk management that has occurred during the Covid crisis. A new format of reporting was introduced to promote consistency however clear guidance on updating, recording and reviewing was not introduced. It highlights an absolute prerequisite that in order to ensure that effective risk management is adopted throughout the Council, there must be a robust approach, reporting and ownership of risk and mitigation across the organisation, driven from the highest level, including Cabinet.

- Additional challenges are created when the same risk is described differently or given a higher score by a different directorate. This highlights the need for clear guidance and respective challenge, including how mitigating actions are identified and recorded.

- There is no way to map/thread risks across and up/down the organisation.

- Risk reporting is often based on historical data or unsupported data and is not challenged at stages of review and often does not change over significant periods of time giving rise to no evidence of consideration of the success of mitigation plans or risk appetite.

- Roles, responsibilities and accountability differ across the organisation. In addition, where, when and how risks are reported and managed also varies across the organisation.

- Risk is very infrequently considered by SLT or Cabinet (formal or informal).

- The frequency of reporting risks to DLTs and SLT has become inconsistent and infrequent. Minutes show very little consideration of actions and the consequence or appetite for mitigation, and how that fits in with service

planning. As a result, the corporate risk register appears to have remained static for some period.

- The findings above have made it difficult to move to an effective Internal Audit three lines of defence and improving risk management will bolster the efficiency and effectiveness of the Council's whole controls and operating environment.

- The role of the Corporate Risk Management Group has become unclear and unfocused and provides no added value to the process or outcomes. However having a corporate mandate and collective cross directorate reference group would stregthen a new approach to risk identification, recording and challenge.

- There is no senior champion to drive and promote risk management. Other organisations have such champions in either a Cabinet Member's portfolio or the Chair of Audit Committee.

- As such the Risk Strategy and policies should be updated to reflect the changes recommended in this report, as well as drive new ways of working. This should encompass the key components of excellent risk management as highlighted in the Government's Orange Book and the ISO 31000 2018 standard set out below, and the effectiveness be reviewed independently every 3-5 years.

Risk Management Framework – The Orange Book

Conclusions and recommendations

We are committed to driving the organisation forward to achieve a risk aware culture and in doing so have identified ways to manage risk which enable us to make effective decisions to meet the Councils objectives. The Task and Finish Group therefore recommend the following actions for COG to assess and agree/enact with reference to SLT

No	Finding	Recommendation	When	Who
1.	The current Corporate Risk Strategy has not been embedded in the organisation and is now outdated.	The Corporate Risk Strategy requires updating with these proposals and signing off by Cabinet	31 March 2021	S151 Officer, Monitoring Officer & CIA
2.	A lack of understanding of the qualitative distinctions among the types of risks that organisations face.	Risk training for all accountable staff. This should include training on the basic components and concepts of risk, Worcestershire CC's approach and reporting tools. Where practical this will be a mixture of face to face and on-line training as appropriate.	30 July 2021	CIA, Risk and Assurance Manager with Corporate OD.
3.	Risk register format, scoring and content is inconsistent. This is giving rise to too many risks rising o the Corporate Risk register. Inconsistencies have been identified between team, service, directorate & corporate risk recording.	The Strategy will include a standard format and scoring for recording risk to ensure consistency across the Councils services and the appropriate routes for escalation. A suggested format is shown at **Appendix 1**. This includes standard generic risks that will be reported at the highest level to COG/SLT and must be recognised, considered and reported on at service level. It is recommended that this approach is applied and that all service areas complete updated risk registers using this format by the end of 2020/21; and COG/SLT complete a Corporate Risk register by the same date.	31 March 2021	SLT / COG

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No	Finding	Recommendation	When	Who
4.	The corporate risk register needs to be more focussed on higher level priorities.	Corporate risks will be thematic and evaluated against current risk appetite.	31 March 2021	COG/SLT
5.	There is no way to map risks across and up/down the organisation.	The Risk & Assurance Manager should regularly review risks to assess if there are any areas of commonality and share lessons and make recommendations for cross working groups to look at mitigation and action strategies. *This relies on services completing the generic risk and assessment per Recommendation 3 of this report.*	Ongoing post 31 March 2021	Risk & Assurance Manager Reporting in the first instance to CRMG
6.	Risk reporting is often based on historical data or unsupported data and is not challenged at stages of review. It often does not change over significant periods of time giving rise to no evidence of consideration of the success of mitigation plans or risk appetite.	Risk assessment will be subject to review by the Risk & Assurance Manager and CRMG: All Impact scoring should use the assessment criteria proposed at **Appendix 1** (*Stage 3*), and will be checked and constructively challenged based on data quality by CRMG on advice of the R&AM. All likelihood scoring should again be based on evidence, although it is accepted some of this may be subjective. Corporate Risk assessment of likelihood should make reference to the individual service scoring. Assessment and challenge will also make reference to scoring and mitigation actions across the Council.	Ongoing post 31 March 2021	Risk & Assurance Manager Reporting in the first instance to CRMG

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No	Finding	Recommendation	When	Who
7.	Taking into consideration the reorganisation it is unclear whether the right people are currently in position to record and report risk.	The roles and responsibilities of those involved in the risk process will be clearly identified and highlight the key reporting requirements. A suggested form is set out at **Appendix 3.**		See Appendix 3
8.	Risk is very infrequently considered by SLT or Cabinet (formal or informal).	Risk should be a formal item considered quarterly by SLT and Cabinet / CBB.	Every quarter	SLT/CBB
9.	Risk is very infrequently considered by DLT (formal or informal).	Risk should be a formal item considered monthly by DLTs and COG on an exception basis, with CRMG frequency as set out in further recommendations.	Every Month	DLT / COG
10.	The findings have made it difficult to move to an effective Internal Audit three lines of defence model. Improving risk management will bolster the efficiency and effectiveness of the Council's whole controls and operating environment.	IA Plan to utilise and refer to the Corporate and Service Risk registers in audit planning.	Ongoing	CIA

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No	Finding	Recommendation	When	Who
11.	The current role of the Corporate Risk Management Group has become unclear and unfocused and provides no added value to the process or outcomes. However, it is recognised that an effective group could still do so.	Risks will be challenged by the Corporate Risk Management Group (CRMG) and Risk & Assurance Manager to ensure they are accurate and reflective of the current position.	Ongoing	CIA / CRMG /R&A
12.		The CRMG should be chaired by the CIA and initially meet monthly under a new ToR until exception reporting is more common and the new approach embedded.	Monthly	CIA / CRMG
13.	There is no senior champion to drive and promote risk management. Other organisations have such champions in either a Cabinet Member's portfolio or the Chair of Audit Committee	A Cabinet member appointed as a Risk Champion to raise the profile of risk within the organisation.	30 May 2021	Leader and Chief Executive
14.	There is need for regular review and advice on the risk assessment process	Independent assurance that the Council's Risk Management Strategy, Framework and Policy are effective conducted annually.	30 September 2021	s.151 Officer to commission via LGA

Ultimately it is the responsibility of everyone involved with the Council to embrace the proposed risk culture as effective risk management is an integral part of ensuring the continued delivery of our services and providing organisational resilience during major change and transformation.

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APPENDICES

1. Standard Format - Example Risk Register (3 staged approach)

Stage 1 (10 generic risks that MUST be considered and reported on)

	KEY CONTACT DETAILS:								INITIAL ASSESSMENT				
No	Directorate (select drop-down)	Team / Dept	KEY Risk Area	Risk Owner	Risk Description	Date Risk Identified	Current Controls (How do we currently manage this risk?)	Impact	Probability	Overall Score	ASSESSMENT		Aspirational Risk Score (see matrix)
1			Staff		There is a risk that we will not have sufficient numbers of staff to fulfil obligations		Recruitment	1	1	1	OPPORTUNITY		0
2			Staff		There is a risk that we will have insufficient numbers of qualified staff to fulfil our obligations		Training	1	1	1	ACCEPTABLE		1
3			IT		There is a risk that we will not have sufficient equipment to fulfil task		Equipment	1	1	1	ACCEPTABLE		1
4			IT		There is a risk that the systems will be insufficient to fulfil tasks		Systems	1	1	1	ACCEPTABLE		1
5			Financial		There is a risk that service will exceed its annual budget		Budget setting	1	2	2	ACCEPTABLE		1
6			Reputational		There is a risk of negative publicity to the council its officer s & members.		Comms	1	1	1	ACCEPTABLE		1
7			Performance		There is a risk that we will fail to deliver regulatory requirements		Training, management, procedures	1	1	1	ACCEPTABLE		1
8			H&S		There is a risk that a member of staff will suffer an injury or illness* at work		Training & equip Liabilty insurance	1	1	1	ACCEPTABLE		1
9			Compliance		There is a risk that information could be shared incorrectly allowing unauthoriesd access		System controls, training	1	1	1	ACCEPTABLE		1
10			Compliance		There is a risk that we will get a complaint against the service		Procedures / Quality Assurance	1	1	1	ACCEPTABLE		1

To note this does not preclude the addition of team or service specific risks

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Stage 2 (Risk Mitigation & Challenge)

| K | | | | | | REVISED ASSESSMENT | | | | | |
No	Aspirational Risk Score (see matrix)	Further actions identified to: achieve an acceptable level of risk, strengthen position or explore opportunity	Target Date for further actions	Point of Contact (named person)	Reviewed Impact	Reviewed Probability	Final Score	STATUS	Last date reviewed (monitored risks)	RISK & ASSURANCE ASSESSMENT
1	0				5	1	5	MONITORED		
2	1							CLOSED		
3	1									

Stage 3 (Corporate Assessment)

| K | | | ORGANISATIONAL IMPACT (for Business Critical & | | | | | | | | | | | |
No	Last date reviewed (monitored risks)	RISK & ASSURANCE ASSESSMENT	FINANCIAL	REPUTATION	HR	IT	ASSETS	PERFORMANCE	GOVERNANCE	BUSINESS PLANNING	COVID	EU EXIT	Check & Challenge
1			High	High	High	N/A	N/A	Med	Low	Low	High	Med	
2													
3													

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Appendix 2

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Terms of Reference

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COG Task & Finish Group – Risk Management

Terms of Reference v1.2

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Background

Following the delegations to COG from SLT the group has identified a number of issues to address in respects of the continual improvement of the way the Council operates and works. One of those areas is Risk Management.

Why do we need to review risk management?

The current Risk Strategy reflects an approach which has been used within the Council for some years. The Strategy is not embedded within the Council and risk is seen as the responsibility of a limited number of staff, mainly those on the Corporate Risk Management Group. The number of risks considered by the Corporate Risk Management Group is unmanageable (176), and there is a lack of corporate focus and learning. The way risk is assessed and controlled varies across the Council, with local risk management not always reflected at a corporate level. We currently have two registers, one for Covid but not wider risks and the original register which has not been formally reviewed since the beginning of the Covid crisis. The learning from managing the Covid crisis should be captured going forward. There is no regular reporting or targeted escalation to SLT. Opportunities are not considered as well as risks.

As such risk management practices are deemed poor when compared to say the former CPA key lines of enquiry or other best practices. The service has recently transferred to Finance and there is an opportunity to align the strategy and practices with changes to the way Internal Audit work is performed through the healthy systems approach.

Tasks to address

1) To update our Risk and Opportunity Strategy in line with best practice.

2) To review practices, skills and changes required to embed risk management in line with the strategy

3) To establish a risk rating system which enables consistent management across the Council and allows risks to be assessed and compared.

4) To review the current register and simplify reporting through a more thematic approach that will allow greater cross organisation working, as well as clearer accountability. This should draw the distinction between strategic, significant operational risks for COG and operation risks for managers.

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5) To identify a clear and simple Governance framework to oversee, check and challenge, learn from, as well as escalate matters for attention. This should encompass standardisation and only deemed necessary bureaucracy.

6) To suggest a roles and responsibility framework, as well as a training and support programme.

7) To identify clear success factors against which the process can be assessed.

8) To draw up a series of recommendations for COG to consider that includes a resource and implementation plan that can be monitored by COG and reported to SLT.

Approach & Resources

- *Approach:*

A task and finish group including COG members and selected officers, supported by the Risk Management and Audit function.

The group should be representative across the council, including WCF, to look at a number of issues that will meet the task objectives set out above. The approach suggested initially should include considering the following, however if any come out of the first meeting these can be added, in consultation with the FLT lead:

1) What is best practice (public and private sector)?
2) What practices need to be revised?
3) What are the options to revise?
4) How will options be implemented?
5) What is the most effective way to monitor and report?
6) What time frame can we address these in?
7) What interdependencies are there with other work?
8) What resources may be required to successfully implement?

The COG sponsor will be the CFO and he will chair the Group. The Group will be expected to engage with their DLT colleagues to gain views and ideas to feed into the review. The focus will be task and finish and as such it is seen will be completed within in three meetings:

a) Issues to address and allocate work to be done
b) Consideration of options to address / improve each issue
c) Recommended solutions for COG to consider that meet the tasks set out above.

The output of the 3 meetings should be a recommendations report to COG.

- *Resources:*

It is suggested Michael Hudson is the lead COG member, and that he will Chair the three meetings and support the group. It is suggested Andrew Spice is the SLT lead for Michael to inform and seek counsel if needed.

Michael will be supported and advised on a technical front by Jenni Morris (Chief Internal Auditor) and Rachel Hallam (Risk Manager). The current procedures governing risk include a Corporate Risk Management Group and it is suggested that the task and finish group also consists of members of that group so previous learning and practice (considered good and needs improvement) is known. In addition, two other members of COG are sought to bring service experience to check and challenge the practicalities and usefulness in options for improving and changing ways of working.

The suggested members of the T&F Group are:

- Michael Hudson - **Chair**
- Jenni Morris & Rachel Hallam - **Advisors**
- Sheena Jones, Laura Folkers, Kevin Stilgoe and Vicki Marshall – **Corporate Risk Management Group Representatives**
- Paul Smith and Kath Cobain - **COG Representatives**

It is suggested that the target should be to hold no more than three meetings to appraise the tasks and generate recommendations and these are complete using the data by the middle of October 2020 to present to COG, and then SLT end of October for implementation in November 2020.

Outcomes and timetable

- *Outcomes:*

  • Recognised improvements in our governance, decision making and management. Demonstrated through COG meetings, Cabinet papers and SRDs.

  • Regular reporting to COG and ability to quickly escalate and address an emerging critical risk.

  • Standardisation of practices and skills

  • Clear accountability and understanding of how risk feeds into decision making, enabling strategies and reporting

  • Manageable and one format register

  • Cross cutting projects may arise than siloed tasks to address what should be seen as corporate risk

- *Timetable:*

It is suggested the following timetable is set as an indicative overview:

Task	Who Lead	Deadline
1) Gather issues and appraise validity / priority	Group	11/9/20
2) Identify options to address issues, looking at whether addresses sufficiently or marginal groups; costed / affordable and practicality of implementation.	Group	23/9/20
3) Identify recommendations to put to COG.	Group	30/9/20
4) Issue paper to COG ahead of meeting	Group Chair	5/10/20
5) Present to GOG.	Group Chair & reps as appropriate	12/10/20
6) Summarise recommendations and next steps to SLT	COG Chair	20/10/20
7) Implement recommendations	Action leads identified	Post COG unless quick win agreed via Chair of Group and Chair of COG

Group Members:

Michael Hudson, Chief Financial Officer

Kathryn Cobain, Director of Public Health

Paul Smith, Assistant Director for Highways & Transport Operations

Jenni Morris, Chief Internal Auditor

Sheena Jones, Democratic Governance & Scrutiny Manager, CoaCh

Laura Folkers, Business Manager, Worcester Children First

Vicki Marshall, Acting Business Operation Manager, People

Kevin Stilgoe, Business administration & Systems Manager, E&I

Rachel Hallam, Risk & Assurance Manager

Appendix 3

Roles & Responsibilities:

Who	Key Roles & Responsibilities	Frequency
Council	-Receive and act upon reports from Cabinet, Committee etc	As necessary
Cabinet	-Agree the Corporate Risk Management Policy & Strategy -Hold political responsibility for Risk Management -Appointment of Risk Champion	
Cabinet Risk Champion	To raise the profile of risk within the organisation To liaise with Risk Manager	
Audit Committee	-Oversee and challenge the Risk Management Strategy -Quarterly review of Corporate Risk Register.	Annually Quarterly
Senior Leadership Team (SLT)	-Quarterly review of Corporate Risk Register and action as appropriate with risk appetite reset -Feedback to COG	Quarterly
Chief Officers Group (COG)	-Monthly assessment of corporate risk register including scores, exceptions, actions and recommendation. -Advice and guidance to SLT -Feedback to DLT & R&AM	Monthly
Directorate Leadership Team (DLT)	-Review directorate risk register -Elect and Liaise with relevant CRMG representative -Promote risk culture	Monthly
Chief Internal Auditor	-Provide reports to Audit committee on risk plan and risk approach	As necessary
Risk & Assurance Manager	-Review & constructively challenge all risk register -Identify cross cutting risks as they emerge and provide advice to COG. -Provide advice, guidance & training to those with risk responsibility	As necessary
Corporate Risk Management Group (CRMG)	-To review team & directorate risk registers. - To work with and highlight emerging risks to the Risk & Assurance Manager	Monthly As necessary
Risk Owners	-To understand their role in the risk & provide appropriate direction and action mitigations	As necessary
Risk 'Managers'	-Monitor and review risks, escalating or removing where appropriate and deliver mitigations -Complete higher-level training annually.	Regularly, but monthly as a minimum.
Managers	-To record or report any relevant risk and mitigating actions to the risk manager.	As necessary
Staff	-To undertake risk training -To manage risk effectively in their role -To report any other risks or opportunities to their manager	As necessary