

AUDIT AND GOVERNANCE COMMITTEE

21 JULY 2023

RISK MANAGEMENT

Recommendation

- 1. The Committee is requested to review the contents of the report, including an update on the Council's risk management arrangements and a risk report identifying corporate risks and mitigating activity.**

Background

2. At its meeting of 10 March 2023, the Committee discussed the need for greater focus on the Council's corporate risk management arrangements, particularly around assessing risks, determining priorities and identifying mitigating activity. The Strategic Director for Environment and Economy and the Strategic Director for Commercial and Change were requested to attend the next committee meeting.
3. The aim of this report is to describe the recent activity to review and update the Council's approach to risk management, including an initial report highlighting corporate risks and mitigations.

Review of Risk Management Arrangements

4. During the COVID-19 pandemic, the Council started development of a new approach to risk management, using a risk management system called *PentanaRisk*. The theoretical benefits of this new approach were that the Council would be able to aggregate service / directorate / corporate level risk information building from a large intelligence base of operational risks. Despite significant efforts to create the base of operational risks, the approach ultimately did not yield a clear enough picture of the key organisational / cross cutting risks, and the activity required to control them, and the decision was taken to decommission PentanaRisk and create (in-house) a bespoke risk management and reporting approach.
5. The approach can be broadly described by three phases:
 - a) Risk management – responsibility for risk management has been written into the terms of reference of the Chief Officers Group (COG). The role of the Corporate Risk Management Group (CRMG), which has previously operated as a sub-group of COG with remit to monitor and review the Council's risks, is under review. The move to place greater responsibility for risk management onto Chief Officers is consistent with an internal review of governance and business planning for COG, alongside performance management and budget management. Standing agenda items around risk management are now included to ensure regular cross organisational challenge and collaboration

around the management of risks (including for example, the role of support services in helping to manage risks experienced by the front line)

- b) Risk capture – an initial risk capture has taken place across all services in the Council, mapping risk information contained in PentanaRisk into a new simpler format, completed by every Assistant Director in accordance with service plans. Risks are described by organisational level (service, directorate or corporate) and categorised according to one of seven primary risk categories (Breach of Law / Legislation, Financial, Harm / Duty of Care, Reputational / Scandal / Corruption, Service Failing, Economic, and Environmental). Each risk is scored according to the traditional 5 by 5 Impact and Likelihood method giving a score for each out of 25. Risks scoring over 20 at any organisational level are deemed as red and suitable activity is expected to be identified to bring these risks back under control. A digital transformation project has been initiated to enable regular review and updating of risk information by owners. This is due to be completed later in the financial year. While in development, PentanaRisk has been retained.
- c) Risk reporting – a new risk report has been created in Power BI as part of a wider management information report (also containing Performance, Workforce, Productivity and Finance components). The new report allows for the interrogation of each component down from an overarching corporate level to directorate, to service, and eventually down to individual teams. The report allows greater transparency of reporting and ensures that the single version of truth can be used for risk (and other reporting) at whatever forum. The Business Intelligence team is developing the report (which will ultimately have an Audit and Governance committee version). Whilst the report is in development, static reports including screenshots and slide decks will be created, as for the corporate risk update below.

Figure 1 - Three phases of the risk management approach



Current Corporate Risk Report

6. A risk management report is under development in Power BI. An extract of the report is contained in the appendix, showing the corporate overview, and exception reporting for the corporate risks flagged as red, and those flagged as amber and deteriorating, for Q1 2023/24.

7. The new risk register consists of 119 identified risks, with 24 designated as corporate level risks (risks for which the impact is over multiple or all directorates or the required control requires input from multiple or all directorates).

8. Of the 24 corporate risks, nine are categorised as “Service Failure (Statutory or otherwise)”, five are categorised as “Financial Impact” and five are categorised as “Harm / Duty of Care”.

9. Of the 24 corporate risks E&I own eight risks, Chief Executive Unit owns six, WCF owns five, People own three and COaCH own two.

10. Five of the corporate risks are flagged as red, with a current risk score (impact x likelihood) of more than 20. Of the 12 corporate risks that are rated amber (score between 10 and 20), three are deteriorating. Detailed information about these eight risks is included in the appendix as an exception report.

Contact Points

Specific Contact Points for this report

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Supporting Information

- Appendix – Corporate Risk Report Q1 2023/24

Background Papers

In the opinion of the proper officer, there are no background papers relating to the subject matter of this report.