

Cabinet

23 January 2024

Strategic Risk Management Framework

Recommendation

That Cabinet approves the refreshed Strategic Risk Management Framework at Appendix 1 and supports the approach to risk management recommended by the Framework.

1. Executive Summary

- 1.1 The purpose of this report is to seek the approval of Cabinet to the revised Strategic Risk Management Framework (the Framework).
- 1.2 The Framework has been in place since 2020/21. Elements of the Framework have been reviewed through an officer working group, which was established to consider the strategic risks to ensure they remain current and appropriate and to refresh those risks and the Framework. The revised Framework document has been presented to and endorsed by Corporate Board and is included as **Appendix 1**.
- 1.3 The majority of the changes to the Framework have been made to bring the document up to date to reflect the current Council Plan, organisational structures, ways of working and wider Council arrangements. In addition, the approach to calculating risk scores has been reconsidered and revised and now reflects a simplified and more standard approach to scoring. Risk appetite levels and categories have also been reconsidered and a small number of changes made. Further detail is included in Section 4 below.

2. Financial Implications

- 2.1 There are no direct financial implications arising from this report.

3. Environmental Implications

- 3.1 There are no direct environmental implications arising from this report..

4. Supporting Information

Background

- 4.1 The Framework was updated in 2020/21 with support and advice from Marsh Risk Consulting. The joint work between Marsh and the Council resulted in the establishment and agreement of a new Framework and the incorporation of the concept of risk appetite into the Council's approach.
- 4.2 The inclusion of risk appetite in 2020/21 was a significant step forwards in our approach to risk management, and an important element of our wider governance framework. Benchmarking, to compare Warwickshire against peers, has highlighted several local authorities are currently considering establishing a risk appetite.
- 4.3 Given the time that has passed and the impact of several significant events such as the pandemic, the cost of living challenges and global conflicts, it was considered sensible to review the position. The process outlined at paragraph 1 above has concluded and resulted in the revised Framework at Appendix 1.

Summary of the Changes

- 4.4 Several of the changes proposed to the Framework are simply to implement language and terminology that is consistent between the strategic and individual service risk registers and the Framework document and to reduce the use of technical language. This is to facilitate better understanding of the Framework and to encourage its continued active use within the Council.
- 4.5 Along with the language point above, amendments to the main body of the Framework also aim to bring the document up to date, to improve consistency and to reflect the Council's ways of working. The Framework continues to provide a good basis for the effective management of risk within the Council.

Standardised Risk Scoring

- 4.6 Risk is the product of the potential impact and the likelihood of a risk occurring. The likelihood and impact assessment criteria continue to provide a sound approach, and the detail in those criteria remains unchanged. In the past the approach to calculating scores has been to give more weighting to impact by calculating the risk score as follows: (Likelihood x Impact) + Impact. This approach, whilst justifiable, has caused a degree of confusion in practice where the vast majority of users of risk registers are more accustomed to a simple calculation of "Risk Score = Likelihood x Impact".
- 4.7 Therefore, through this refresh of the Framework, a simplified standard approach to scoring has been agreed, where Risk Score = Likelihood x Impact, which is in keeping with standard principles, reflects the approach of peers and is more clearly recognised by officers.

4.8 Following the change to the calculation of risk scores, the Likelihood Impact Grid (Heatmap) must be amended to reflect the change. The tapering of Red, Amber and Green has also been reconsidered and the refreshed arrangements incorporated into the Framework. The revised Heatmap is included below to highlight the approach. The main difference is that the heatmap now categorises fewer risks as red, where previously more risks scores were categorised as red than amber risks which was considered excessive.

Using the simplified approach: Risk Score = Likelihood x Impact

Impact	Catastrophic	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Highly Unlikely	Unlikely	Possible	Probable	Very Likely
		Likelihood				

Using the previous approach: Risk Score = Likelihood x Impact + Impact

Impact	Catastrophic	10	15	20	25	30
	Major	8	12	16	20	24
	Moderate	6	9	12	15	18
	Minor	4	6	8	10	12
	Insignificant	2	3	4	5	6
		Highly Unlikely	Unlikely	Possible	Probable	Very Likely
		Likelihood				

Risk Appetite

- 4.9 A core component of the Framework, and any management of a risk system, is regular / periodic reviews of risk appetite. A review of the Council's risk appetite has recently been carried out. This initially involved the risk working group reviewing appetite categories and levels prior to a full re-assessment by Corporate Board. The changes to the risk appetite statements are built into the Framework but for ease of reference the following table highlights the movement in risk appetite levels:

Risk Appetite		
Risk Area / Category	Level (previous)	Rationale
People	Open (Cautious)	Risk appetite increased from Cautious to Open to reflect the sustained change to the labour market, employee preferences and the need for WCC to be more innovative in approaches to recruiting and retaining employees.
Information Security	Minimalist (Cautious)	Risk appetite reduced from Cautious to Minimalist. With cyber-attacks increasing, particularly associated with national and local elections, and recent high profile data breaches, this is considered to have become more critical. The Appetite Statement reflects a more cautious approach is appropriate to sharing data for the benefit of services and users.

5. Timescales associated with the decision and next steps

- 5.1 The refreshed arrangements are currently being implemented throughout the Council's risk management arrangements. Cabinet will be provided with refreshed strategic risks scored using the revised approach as part of the performance reporting from Quarter 3 onwards.

Appendices

Appendix 1 – The Strategic Risk Management Framework

Background Papers

None

	Name	Contact Information
Report Author	Liz Morris, Chris Norton	lizmorris@warwickshire.gov.uk , chrisnorton@warwickshire.gov.uk
Director	Virginia Rennie Interim Director of Finance	virginiarennie@warwickshire.gov.uk
Executive Director	Rob Powell Executive Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Councillor Yousef Dahmash Portfolio Holder for Customer and Transformation	cllrDAHmash@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): n/a – county wide report

Other members: Chair & Spokes of Resources and F&R OSC need including in circulation