

Audit and Standards Committee

28 November 2024

Strategic Risk Management

Recommendation

That the Audit and Standards Committee notes and comments upon the approach to risk management as set out in the refreshed Strategic Risk Management Framework at Appendix 1, and strategic and service risks set out in Appendix 2.

1. Executive Summary

1.1 The Audit and Standards Committee has responsibility for oversight of the Council's approach to risk management and for assessing the effectiveness of this approach.

1.2 The purpose of this report is to:

- a) Present the updated Strategic Risk Management Framework (Appendix 1); and
- b) Update the Committee on recent developments on the management of risk within the Council.

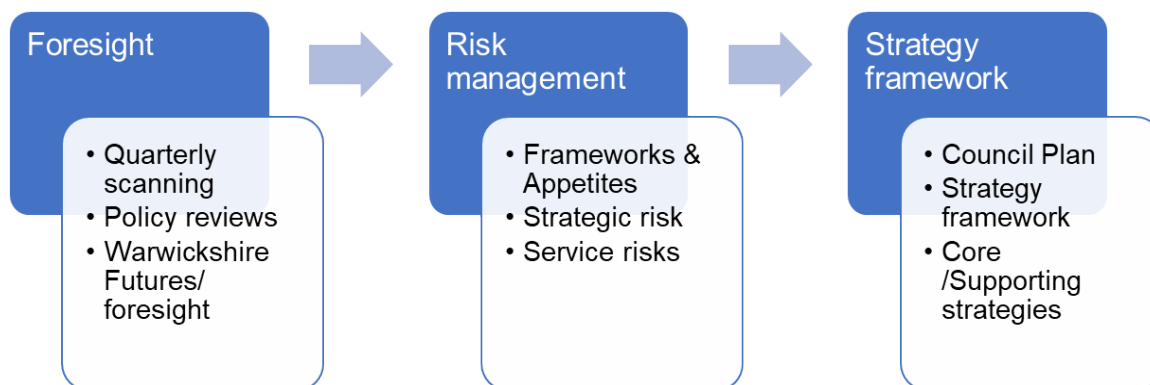
1.3 The Council's Strategic Risk Framework has been in place since 2020/21. A period of refinement took place ahead of the start of the 2024/25 financial year which included:

- Refresh of the Strategic Risk Management Framework by an officer working group resulting in the refreshed Framework being approved by Cabinet in January 2024;
- Refresh of the Strategic risks;
- Reassessment of risk appetites and associated risk themes;
- Completion of an assurance exercise with peer authorities to compare strategic risks;
- Completion of the move to a simplified risk score calculation; and
- Gap analysis and deep dive work for the strategic risks.

1.4 In September 2024, responsibility for the risk management framework and associated reporting transferred from Finance to the Corporate Policy Unit which sits in the Strategy, Planning and Governance Service in the Resources Directorate. This move will seek to achieve a closer integration

between policy, strategy and risk. The previous Risk Manager role within Finance has subsequently been removed and will form part of future savings.

- 1.5 The move aims to strengthen the alignment between strategic foresight work, risk management and strategy development as set out in the diagram below:



- 1.6 This report provides the Committee with assurance on the Council's strategic approach to risk management and seeks feedback on any potential further refinements that could be made as part of our review cycle.

2. Financial Implications

- 2.1 There are no direct financial implications of this report.

3. Environmental Implications

- 3.1 The environmental implications of effective risk management are highlighted in the strategic and Directorate risk registers.

4. Supporting Information

Risk Management Framework

- 4.1 The Council's Risk Management Framework and associated Appetite statement were produced in 2020/21 and reflected industry best practice.
- 4.2 The introduction of a formal approach to setting 'risk appetite' in 2020/21 was a significant step forwards in the Council's approach to risk management, and an important element of strengthening the Council's wider governance framework. Benchmarking, to compare the Council against peer councils, has highlighted several local authorities are currently considering establishing a strategic risk appetite.

- 4.3 The Framework subsequently provided the template for other similar products for strategies, consultation & engagement, and performance management.
- 4.4 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 Framework document. Notable changes included:
- a) Increasing the consistency of language and terminology between the strategic and individual service risk registers and the Framework document, to build reduce the use of technical language and increase the understanding and use of the Framework across the Council.
 - b) Simplifying the approach to scoring risks. In the past the approach to calculating scores was to give more weighting to impact by calculating the risk score as follows: (Likelihood x Impact) + Impact. This approach, whilst justifiable, caused a degree of confusion in practice. A simplified standard approach to scoring has been agreed, where Risk Score = Likelihood x Impact, is more clearly recognised and understood by officers and Councillors.
 - c) The Likelihood Impact Grid (Heatmap) has been amended to reflect the change to the calculation of risk scores. The tapering of Red, Amber and Green has also been reconsidered and the refreshed arrangements incorporated into the Framework. 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 not considered reflective of the reality of the operating environment and gave a disproportionate impression of the Council's risk profile.
- 4.5 These changes have subsequently been adopted into the risk approach for 2024/25.

Strategic and Service Risks - updated approach

- 4.6 During September 2024, a revised approach has been developed which:
- Creates a clearer 'aggregate view of risk at organisational and Directorate level.
 - Places greater emphasis on ownership, analysis and oversight by each Directorate Leadership Team (DLT) and risk owners.
 - Creates an opportunity to address 'remedial action' ahead of reporting to members to give additional assurance that risks are well monitored and managed.
 - Extends the current infrastructure in place for strategy to include risk in standing DLT items and through the Strategy Network for officers and risk owners.

- Supports risk work within Directorates through the Corporate Policy Unit's relationship model whereby there is an officer assigned to each DLT.

4.7 The new approach has been shared and tested with all DLTs.

Quarter 2 2024/25 Risk profile

4.8 The profile for the Council's strategic risks is presented in Appendix 2 alongside a high-level summary of Directorate risks.

4.9 Across all risks (strategic and Directorate) the key messages are that:

- Areas of service risk appear well known to risk owners and are in the large part managed through effective controls;
- The ability to accept and hold a high level of residual risk may need to be better reconsidered in future quarters in realistic target setting and an appropriate risk appetite; and
- Four out of nine strategic risks are currently on target; vulnerable adults (#3), Sustainable Futures (#4), workforce (#6) and cyber attacks (#7) are trending above target.

4.10 Corporate Board has recently reviewed the Strategic Risks, paying particular attention to those which are high risk. During Q1 a series of deep dives commenced with Cyber and Sustainable Futures. This was paused in Q2 but will recommence during Q3 to provide a detailed review of the Council's strategic risks.

4.11 Detailed versions of Directorate risks have been shared with each DLT in October 2024, ahead of review by both Corporate Board and Cabinet in the Q2 Integrated Performance Report. In summary, there were 67 live service level risks at Q2, which is a slight reduction when compared to Q1.

4.12 All risks identified, at both strategic and Directorate level have mitigation activity and controls in place which are reviewed and updated quarterly by risk owners (Heads of Service) and then further reviewed by each DLT ahead of Corporate Board consideration.

4.13 Summaries of both strategic and Directorate risks have already been included in the integrated Performance Report for Cabinet on the 14th November 2024 and the reports for all forthcoming Overview & Scrutiny Committees.

5. Timescales associated with the decision and next steps

5.1 Following consideration of this report, work will commence on the Q3 cycle of reporting, informing dedicated risk updates to Corporate Board and a risk extract in the next Integrated Performance Report for Cabinet and all Overview & Scrutiny Committees in January 2025.

5.2 Refinements to the risk management approach will continue to be made including:

- **Maximising analysis and reducing the reporting burden** e.g. Exploring greater automation of risk reporting linked to existing Power BI dashboards.
- **Enhancing connections with risk management** e.g. strengthening links between risk and strategic planning and strategies.
- **Building Awareness and capability for risk management** e.g. Exploring training options for officers and members and extending the existing strategy network to cover both risk and strategy.

Appendices

Appendix 1 – WCC Risk Management Framework

Appendix 2 – Risk profile Quarter 2 20024/25 (Strategic and Directorate summary)

Background Papers

None

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

Local Member(s): not applicable

Other members: Councillor Yousef Dahmash