



## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Monday, 24 January 2022**

|                      |   |
|----------------------|---|
| <b>REPORT TITLE:</b> | <b>CORPORATE RISK MANAGEMENT UPDATE</b>     |
| <b>REPORT OF:</b>    | <b>DIRECTOR OF RESOURCES (S151 OFFICER)</b> |

### **REPORT SUMMARY**

This report provides an update on the Council's risk management arrangements and areas of risk management focus over the coming year.

This matter affects all Wards within the Borough. It is not a key decision.

### **RECOMMENDATION**

The Audit and Risk Management Committee is recommended to note the report.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 To enable the committee to understand the Authority's most significant risks, the associated mitigating controls, and the risk management framework to fulfil its role of providing independent assurance of the Council's Risk Management Framework.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options considered appropriate as failure to report this information would demonstrate ineffective governance and non-compliance with professional best practice.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Due to the short reporting timescale between this meeting and the last update to the Committee and the postponement of the session with the Senior Leadership Team in December there has been limited change in the Corporate Risk Register.
- 3.2 Work continues on developing the Improvement Plan in response to the two reports from the Department of Levelling Up, Housing and Communities (DLUHC). A draft plan is to go to the first meeting of the Independent Panel in mid-January and following that on to committee before the end of March.
- 3.3 More information on the project, within the Improvement Plan, specifically related to risk management will be shared with this Committee at a future date.
- 3.4 One of the first actions to be completed is the training session on risk management for all members.

#### **Risk Management Training for Members**

- 3.5 A training session open to all councillors is scheduled for 19<sup>th</sup> January. At the time of writing this report over 20 councillors had accepted the invitation to attend. A verbal update on attendance figures will be available at the committee meeting.

#### **ARMC Risk Sub-Group**

- 3.6 The next meeting of the group is scheduled for 16<sup>th</sup> February.

#### **Corporate Risk Register (CRR)**

- 3.7 As reported at the last Committee a face-to-face focus session with the Senior Leadership Team was planned for 6<sup>th</sup> December 2021 to review the risks in more detail and challenge their position on the CRR and mitigating activity. Unfortunately, this session was postponed and will now take place on 2<sup>nd</sup> March 2022.

#### **Other Risk Management Activity**

- 3.8 During the discussion of the risk management report at the last Committee meeting there were several questions relating to the flow of risk information and the scoring mechanism for risks within risk registers. In order to reassure the Committee of the processes and methodology in operation additional detail for both areas are outlined below.

### Scoring Process

- 3.9 Risks are scored for both likelihood of the risk occurring and the impact if the risk were to occur. Both scores are out of 5 and a chart defining the different levels is part of the corporate risk register template and associated guidance. The scoring definition charts are attached at Appendix 1.
- 3.10 Currently the Council uses a 5x5 scoring matrix and a three-tiered colour coding system; red, amber, green. See tables below showing the combined total of the likelihood multiplied by the impact scores and associated colour banding.

Table 1. Scoring Matrix

|              |                | Impact →      |          |             |           |                |
|--------------|----------------|---------------|----------|-------------|-----------|----------------|
|              |                | 1<br>Very Low | 2<br>Low | 3<br>Medium | 4<br>High | 5<br>Very High |
| Likelihood ↑ | 5<br>Very High | 5             | 10       | 15          | 20        | 25             |
|              | 4<br>High      | 4             | 8        | 12          | 16        | 20             |
|              | 3<br>Medium    | 3             | 6        | 9           | 12        | 15             |
|              | 2<br>Low       | 2             | 4        | 6           | 8         | 10             |
|              | 1<br>Very Low  | 1             | 2        | 3           | 4         | 5              |

Table 2. Colour Bands and Recommended Actions

| Risk Colour – based on combined score | Risk Level | Descriptor   | Action Required   |
|---------------------------------------|------------|--|---|
| <b>Green</b>                          | Low        | Minor risks that are well controlled and/or which have a modest impact.  | Additional control actions are unlikely to be needed. But the risk needs to be kept under periodic review.  |
| <b>Amber</b>                          | Medium     | Important risks that may potentially affect the achievement of operational or strategic objectives and/or the delivery of key services             | The introduction of additional control actions should be considered. For risks with a high or very high impact a contingency plan may be necessary. |
| <b>Red</b>                            | High       | Critical risks that are likely to significantly affect the achievement of operational or strategic objectives and/or the delivery of key services. | Further mitigating action should be considered. The risk should be kept under regular review.   |

- 3.11 The Risk Continuity and Compliance Manager carried out a brief review of the scoring matrices used by other local authorities. Of the 12 reviewed, seven used a 5x5 scoring matrix with four using a 4x4. Only one used a different approach with a weighted impact score which could give a total score up to 80. There was an even split between the numbers using a three or four tier colour coding: red, amber, green or red, amber, yellow and green.
- 3.12 The updated guidance in the form of a risk management toolkit issued in 2021 by ALARM, the network for public sector risk and insurance professionals, gives an example of a 5x5 matrix but does comment that other scales such as 4x4 could be used.
- 3.13 The Council's current 5x5 scoring matrix is embedded into its decision making and performance management activities. Staff have been trained in its use and it is well recognised in reporting, programme management, decision making and business as usual activities. Therefore, it is not recommended to move away from this method at this time, especially due to a lack of capacity within the Council to design, develop, and embed a new method.

#### **Flowchart**

- 3.14 The flow of information, governance and input into the Corporate Risk Register was also raised at the last meeting. A flowchart, available in Appendix 2, aims to capture the complex picture of the different interactions and connections between the risk hierarchy, corporate, directorate and other risks as well as the different groups with input into the risk registers.
- 3.15 A review of both the scoring methodology and the governance hierarchy, responsibilities and input into the risk registers will be included in the refresh of the Risk Management Strategy and Framework later this year.

### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 There are no immediate financial implications arising directly from this report.

### **5.0 LEGAL IMPLICATIONS**

- 5.1 There are no immediate legal implications arising directly from this report.
- 5.2 The Authority has a statutory responsibility under Part 2 – Internal Control of the Accounts and Audit Regulations (England) 2015 to have arrangements in place for the management of risk. It also forms part of the seven new core principles within the best practice guidance, 'Delivering Corporate Governance in Local Government: Framework' published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 There are no resource implications arising directly from this report.

### **7.0 RELEVANT RISKS**

- 7.1 Without robust risk management procedures in place there is a danger that the Council will fail to identify, understand, and monitor key strategic and operational risks. An ineffective and poorly established risk management framework prevents the optimisation and balanced approach between risk taking and control, leading to ineffective assurance and missed opportunities. The consequence of both is that risks are not considered in decision-making which could have serious financial, reputation and resource implications.
- 7.2 Risk management arrangements for the Council form part of the key controls for the Corporate Risk 18 – Effective Governance.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 No specific consultation has been undertaken with regards to this report.

## **9.0 EQUALITY IMPLICATIONS**

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision, or activity.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

- 10.1 The content and/or recommendations contained within this report are expected to:
- Have no impact on emissions of Greenhouse Gases

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

- 11.1 The content and/or recommendations contained within this report have no direct implications for community wealth. However, the development of effective corporate risk management arrangements will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of economic, social, and environmental justice for all residents.

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## **APPENDICES**

Appendix 1 – Scoring Definition Charts  
Appendix 2 - Flowchart of Risk Hierarchy and Interactions.

Please note that the PDF file in Appendix 2 for this item may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact [committeeservices@wirral.gov.uk](mailto:committeeservices@wirral.gov.uk) if you would like this document in an accessible format.

## **BACKGROUND PAPERS**

Risk Management Policy  
 Alarm Risk Management Toolkit - updated June 2021

**SUBJECT HISTORY (last 3 years)**

| <b>Council Meeting</b>                               | <b>Date</b>                     |
|--|---------------------------------|
| Audit & Risk Management Committee                    |                                 |
| Development of the Revised Corporate Risk Register   | 28 January 2019                 |
| Development of the Revised Corporate Risk Register   | 11 March 2019                   |
| Update of the Corporate Risk Register                | 22 July 2019                    |
| Update of the Corporate Risk Register                | 23 September 2019               |
| Update of the Corporate Risk Management Arrangements | 18th November 2019              |
| Corporate Risk Management Update                     | 27th January 2020               |
| Risk Management Update                               | 10th March 2020                 |
| Corporate Risk Register Update                       | 16th November 2020              |
| Corporate Risk Management Update                     | 25th January 2021               |
| Corporate Risk Management Update                     | 9th March 2021                  |
| Corporate Risk Management Update                     | 5 <sup>th</sup> July 2021       |
| Corporate Risk Management Update                     | 27 <sup>th</sup> September 2021 |
| Corporate Risk Management Update                     | 30 <sup>th</sup> November 2021  |

## Appendix 1 - Scoring Definition Charts

### Impact Scores

| Description | Score    | Impact – Financial<br>(Council, directorate,<br>or service area) | Impact –<br>Reputation   | Impact – Service Delivery  | Impact – Health and<br>Safety (employees<br>and public)  | Impact – Service<br>Objectives   |
|-------------|----------|--|--|--|--|--|
| Very Low    | <b>1</b> | <2% of annual<br>budget  | Letter(s) of<br>complaint.   | Minor, very short term (under<br>24 hours) disruption to a<br>single team or area.   | Minor injuries or<br>illness but not<br>resulting in “lost time”.  | Minor effect on<br>achievement of<br>divisional objective.   |
| Low         | <b>2</b> | <5% but >2% of<br>annual budget                                  | Single adverse<br>report in local<br>media.  | Some short term (under 48<br>hours) disruption to a single<br>team or area, manageable by<br>altered operational routine.  | Minor injuries or<br>illness that require<br>first aid and result in<br>lost time.                                   | Serious effect on<br>achievement of<br>divisional objective.   |
| Medium      | <b>3</b> | <10% but >5% of<br>annual budget                                 | Significant<br>adverse publicity<br>in local media.  | Long term disruption (up to 7<br>days) to a number of<br>operational areas within a<br>single location and possible<br>flow onto other locations.<br>OR short-term disruption to a<br>service critical team or area. | Injuries or illness that<br>result in an “over 3<br>days” injury, major<br>injury, or<br>hospitalisation.            | Achievement of a<br>divisional objective<br>seriously<br>compromised and /<br>or significant effect<br>on directorate<br>objective.                  |
| High        | <b>4</b> | <15% but >10% of<br>annual budget                                | Significant<br>adverse publicity<br>in national media.<br>Dissatisfaction<br>with Chief<br>Officer/s and/or<br>Member. | All operational areas within a<br>single location compromised.<br>Other locations maybe<br>affected. OR longer-term<br>disruption (up to 7 days) to a<br>one or more service critical<br>teams or areas.             | Single case of injury<br>or illness that could<br>be fatal, life<br>threatening or cause<br>long-term disability.    | Achievement of one<br>or more directorate<br>objectives<br>compromised and /<br>or significant effect<br>on achievement of a<br>corporate objective. |
| Very High   | <b>5</b> | >15% of annual<br>budget   | Sustained<br>adverse publicity<br>in national media.<br>Chief Officer<br>and/or Member<br>removal or<br>resignation.   | Multiple locations<br>compromised. Council<br>unable to execute numerous<br>service critical functions.  | Multiple cases of<br>injury or illness that<br>could be fatal, life<br>threatening or cause<br>long-term disability. | Achievement of one<br>or more corporate<br>objectives seriously<br>compromised.  |

## Likelihood Scores

| Description | Score    | Narrative  | Qualitative (chance of occurrence within 3 years) |
|-------------|----------|--|---|
| Very Low    | <b>1</b> | Extremely unlikely or virtually impossible within the period covered by the plan.  | <5%   |
| Low         | <b>2</b> | Unlikely – not expected to occur within the period covered by the plan.            | 6 – 20%   |
| Medium      | <b>3</b> | Possible – may possibly occur at some point within the period covered by the plan. | 21 – 50%  |
| High        | <b>4</b> | Likely – will most probably occur within the period covered by the plan.           | 51 – 80%  |
| Very High   | <b>5</b> | Almost certain – expected to occur within the period covered by the plan.          | >80%  |