West Berkshire Council

Risk Management Strategy 2024-27

Contents

Tables

Figures

1. Introduction

1.1 The Risk Management Strategy is an integral component of West Berkshire Council's (WBC) risk management framework. The strategy provides the details in which the risk management activities are aligned with other Council activities and the role that they play within WBC's internal control environment.

1.2 **Mandate and commitment** – The Risk Management Strategy was produced following consultation with Corporate Board, Portfolio Holder for Finance and Resources, Councillors and approved by the Executive. It was also submitted to the Governance Committee for endorsement.

1.3 The management of the Council and the Executive are committed to ensure that the risk management is an intrinsic part of the governance arrangements and that the risk management process adds value by informing decision making processes to ensure the delivery of the Council's objectives.

1.4 **Applicability** - This strategy applies to the whole of West Berkshire Council core functions, covering both business-as-usual and improvement/transformation.

2. Risk Management Policy Statement

2.1 The risk management strategy for the Council is set out in the following risk management policy statement:

Risk Management Policy Statement for West Berkshire Council (WBC)

As part of West Berkshire Council's arrangements to ensure best practice governance, effective risk management provides assurance that the Council is 'risk aware'. This entails identifying risks associated with the Council's objectives, evaluate their potential likelihood and impact, and determine the most effective methods of mitigation.

The Council believes that risk can be managed rather than avoided and that corporate-wide approach to risk management will support a transformational culture of innovation and creativity

This Strategy includes a risk management policy (see Appendix A) which outlines the approach the Council takes with regard to its responsibility to manage risks and opportunities using a structured, focused and proportional methodology. Risk management is integral to all policy planning and operational management throughout the Council. It integrates with our corporate governance, performance management and project management process and supports the Annual Governance Statement.

This approach to risk management actively supports the achievement of the agreed actions, projects and programmes as set out in the Council Strategy, but also the objectives set out in service plans.

Objectives:

Based on the information detailed in this document, the objectives of the Risk Management Strategy are to:

- Implement the updated risk matrix reflecting a **changed** risk appetite and the tolerances set in the risk management strategy.
- Continue a systematic process of risk identification, analysis, assessment, treatment and reporting, based on a quarterly cycle, **except for project risks, some of which are based on a monthly cycle**
- Further integrate risk management and performance management processes with particular focus on project management integration and identification of Key Risk Indicators (KRI) and Key Control Indicators (KCI).
- Maintain a risk aware culture through a common language, training and engagement, with a particular focus on the involvement of Councillors through more in depth training.
- Increase communication regarding risk exposure especially in relation to fraud risk, and the actions being taken to mitigate risks.
- Support the re-introduction of a controls assurance process.
- Strengthen the links to the crisis management process/handover from crisis management to business as usual

3. Context

3.1 The internal and external context within which the Council delivers its objectives must be considered in order to ensure that the management of risk is effective.

Internal Context

3.2 The significant points relating to the internal organisational context of risk management are:

a. ***Adoption of the revised three lines model of defence arrangements*** –external audit has been unable to sign off our financial statements for 2021/22 and 2022/23 due to their own resourcing pressures and wider Local Government auditing difficulties.
b. **Significant increase of the financial pressures** compared to the one experienced before 2020/2021.
c. **High demand on services** (in particular on social care, education health and care plans in education, and housing).
d. ***Need to further streamline internal governance arrangements*** – recommendation from the LGA peer review to simplify and communicate the new arrangements.
e. ***Implementation of the organisational restructure*** - Senior Management Review 2019 and relatively new administration, would require training and support for the new 'top team'.

a. The three lines model

3.3 The revised version published by Institute of Internal Auditors (IIA) sets out 3 areas of responsibility (the 3 A's of Accountability, Action and Assurance) and 6 principles.

i) **Accountability**: The Governing body is accountable to stakeholders for oversight.

Principles 1 (Governance) and 2 (Governing body roles) confirm that governance of an organisation requires appropriate structures and processes that enable accountability, action and assurance. It is the role of the Governing body to ensure appropriate structures and processes are in place for effective governance.

ii) **Actions:** Management is responsible for taking actions (including risk management), including designing and implementing the controls and procedures necessary to achieve organisational objectives.

Principle 3 states that Management's responsibility to achieve organisational objectives comprises both first and second line roles. First line roles are most directly aligned with the delivery of products and / or services to clients of the organisation and include the roles of support functions. Second-line roles provide assistance with managing risk.

iii) **Assurance and advice:** by an independent internal audit function to provide insight, confidence and encouragement for continuous improvement.

Principle 4 requires that in its third-line role, internal audit provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. It achieves this through the competent application of systematic and disciplined processes, expertise, and insight. It may consider assurance from other internal and external providers.

Principle 5 reiterates that the independence of internal audit from the responsibilities of management is critical to its objectivity, authority, and credibility.

Principle 6 recognises that all roles working collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritised interests of stakeholders. The emphasis is upon collaboration and communication across the “lines” with the collective aim of the achievement of business objectives.

3.4 The risk management function is an integral part of the Council’s governance arrangements. The three lines concept is widely known among the insurance, audit and banking sectors as a risk governance framework. The concept can be used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control to achieve effective risk management, governance and assurance.

3.5 Risk management arrangements are functioning as expected overall, as reported in the latest Interim Auditor’s Annual Report on West Berkshire Council 2021/22 and 2022/23, produced by Grant Thornton (March 2024), which concludes that “the council has effective arrangements in place for risk management internal control and budget setting and monitoring”.

3.6 Accounts not signed off by external auditor. The Financial Statements for 2021-22 and 2022-23 are likely to have a ‘no-fault disclaimed’ opinion. This is because the external auditor, Grant Thornton, have not had the sufficient resource to complete the audit of the Council’s financial statements. The Government have been consulting on a disclaimer opinion to enable the backlog of local government audits to be cleared by the early 2025 and beyond.

b. Significant pressure on the Council’s finances

3.7 The Medium-Term Financial Strategy MTFS 2024 shows that significant pressures on Council finances during 2022/2023 and 2023/24 required utilising almost all earmarked reserves, especially risk reserves. Similarly to other places in the country, the financial pressures here are due to increase of inflationary costs for adult and children social care, increase in complexity and quantity of demand for social care services, increase of Home to School Transport costs, to High Needs Block in the Dedicated School’s Grant and increase of costs in housing services. Given the Councils comparatively low level of reserves over many years, the Council has lower levels of financial resilience compared to other Councils. The MTFS prioritises the financial resilience in the medium term for the Council, to ensure that there are sufficient levels of the general fund reserves to enable greater financial sustainability and the need for a cost base reduction of over £30m.

c. High demand – social care

3.8 Performance data for 2022/23 and 2023/24 shows a significant increase in demand for children’s and adult social care services, and housing services. Whilst the former has peaked during the previous year and shows signs of declining (albeit at the end of 2023/24 at levels still above the maximum from before 2022), the latter is following an increasing trend.

d. The streamlined internal governance arrangements

3.9 During 2019, the organisation re-assessed and streamlined its internal governance arrangements to ensure clarity of decision making, coordination and oversight of business as usual but also transformational activities. However, the report following the Corporate Peer Challenge conducted by the Local Government Association includes a recommendation to “Simplify the governance structure to increase pace and agility.”

e. Implementation of the organisational restructure – Senior Management Review 2019

3.10 The restructure of the organisation following the Senior Management Review 2019 has been completed. As Executive Directors and Service Directors have been appointed. As a result, previous service risk registers have been amalgamated into Department Risk registers. Whilst the areas of responsibility for the Department Risk Registers’ owners is expanding, positive benefits are expected in terms of further identifying and managing the cumulative effect of risks. In addition to implementing the Senior Management Review 2019, senior management structure has been strengthened by the creation of additional posts, such as Service Director – Transformation and Service Director for Delivering Better Value and SEND Transformation.

External Context

3.11 The external risk context for the organisation is dominated by a number of issues:

- Economy – Bank of England (BoE) has raised the interest rates over the last two years (2022/23 and 2023/24) to help slow down the inflation, which peaked at 11% in 2022 but reduced to 2.2% in August 2024. However, this is still higher than the 2% inflation target and the BoE maintains the interest rates at 5%.
- Ongoing international conflict elsewhere – impact at local level in terms of arrivals and support needs following displacement of persons.

- Pressure on public sector finances – over the last two years an unprecedented number of Council either issued a S114 report or have requested Exceptional Financial Support from the Government.
- National political environment – elections results at national Government level with potential changes in national policy framework.
- The updated National risk register 2023 – identified the following high risks:
    - Pandemic (Catastrophic Impact)
    - High scale Chemical, Biological, Radiological and Nuclear (CBRN) attacks (Catastrophic Impact)
    - Failure of the National Electricity Transmission System (NETS) (Catastrophic Impact)
    - Terrorist attacks in venues and public spaces (Almost certain Likelihood)
    - Technological failure at a UK critical financial market infrastructure (Almost certain Likelihood)
    - Attack on a UK ally or partner outside NATO or a mutual security agreement requiring international assistance (Almost certain Likelihood)
    - Major outbreak of plant pest – bacterial disease Xylella fastidiosa (Almost certain Likelihood)
    - Cyber attacks on infrastructure
    - Low temperatures and snow
    - Reception and integration of British Nationals arriving from overseas

3.12 Council Strategy 2023 – 2027, highlights the strong social, economic and environmental features of the District and the resilience to significant challenges, including the Covid-19 pandemic. The focus of the Strategy is to build on these strengths and achieve further improvements. This is another important factor considered in defining the Council's risk management approach, including the risk appetite.

3.13 It is expected that any amendments to the Council's Strategy, associated strategies and delivery plans to be robustly reflected in the risk management process.

4. How do we evaluate risks?

Risk analysis and Risk evaluation

4.1 Risks are evaluated each time at the following levels:

- **Gross level** – likelihood and impact without additional, specific mitigation action.
- **Actual level** - this is the current likelihood and impact, based on mitigation action already put in place but excluding further mitigation action planned.
- **Expected level** – this is a future level of likelihood and impact based on any additional mitigation action (if any) planned to further address the triggers and the consequences of risks. The additional actions and the associated deadlines are listed in the risk register.

4.2 The Council evaluates its identified risks on a five-point scale on the likelihood or probability of the risk occurring (rated between rare and certain) and the impact caused should the risk occur (rated between negligible and critical).

Impact Rating

4.3 The following table provides the definitions which should be used when determining whether a risk would have a Negligible (1), Minor (2), Medium (2), Major (4), or Critical impact(5):

Impact Rating	Financial loss to Council	Personal / Staff or Customers	Assets / Physical / Information	Reputation	Compliance (litigation, regulatory, contract)
5 Critical	> 1% annual WBC budget >£2m	Death	Destruction of building, IT infrastructure	Front page of national press	Probable legal challenge with penalties. Probable regulatory intervention.
4 Major	0.25% - 1% annual WBC budget £500k £2M	Permanent disability	Majority loss of main building / Loss of main ICT system – e.g. Email / Payroll / network	Adverse publicity nationally HSE / Fire Authority prosecution	High possibility of legal challenge. High possibility of regulatory intervention.
3 Medium	0.1% - 0.3% annual WBC budget £175k -500k	Major injury / hospitalisation	Partial loss off main building or total loss of minor building. Temporary loss of major ICT system – up to one week, total loss of minor ICT system	External agency criticism – EG Auditor, Ofsted etc. HSE / Fire Authority enforcement action	Reasonable possibility of successful legal challenge. Reasonable possibility of regulatory interest.
2 Minor	0.01% - 0.1% of annual WBC budget £17.5k - £175k	Major financial loss £1,000+ Illness e.g. stress / minor accident / RIDDOR	Partial loss of minor building. Temporary loss of minor ICT system – up to one week. Loss of Major system – up to one day	Ombudsman complaint upheld	Low possibility of legal challenge. Low possibility regulatory interest
1 Negligible	Less than 0.01% annual WBC budget £17.5k	Minor Financial loss up to £1,000 / complaint / Grievance	Loss of minor ICT system - up to one day	Adverse publicity locally	Negligible possibility of legal challenge or regulatory interest

Table 1. Impact Ratings

Likelihood Rating

4.4 It is unlikely that in many cases the probability of a risk occurring can be calculated in a statistically robust fashion, as we do not have the data to do so. However, as an indicator, the likelihood is defined by the following probability of a risk occurring:

Likelihood Rating	Incidents	Probability
5 Certain	Risk will occur within a 12 month period	100%
4 Almost Certain	Risk is almost certain to occur within a 12 month period	70% - 99%
3 Likely	Risk is likely to occur within a 12 month period	30% - 69%
2 Unlikely	Risk is unlikely to occur within a 12 month period	2% - 29%
1 Rare	Risk is very rare and highly unlikely to occur within a 12 month period	–<2%

Table 2. Likelihood Ratings

4.5 Over the short and medium term, due to the ongoing international crisis as a result of the coronavirus pandemic, risk management and in particular risk assessment, need to consider this external context factor.

5. How we respond to risks – Risk Appetite / Risk Criteria

5.1 The response to the identified risks is guided by the risk appetite and risk criteria.

Risk Appetite

5.2 The HM Treasury and the Government Finance Function define risk appetite as "*The level of risk with which an organisation aims to operate*" (Source: Government Finance Function – Risk Appetite Guidance v.2., August2021). A clearly understood and articulated risk appetite statement assists with the risk awareness for the Council and supports decision making in pursuit of its priority outcomes and objectives.

5.3 The Council's Risk Appetite Statement is an integral part of the Council's Risk Management Strategy and ensures that the opportunities the Council is willing to take to achieve its strategic outcomes and objectives are measured, consistent and compatible with the Council's capacity to accept and manage risk and do not expose the Council to unknown, unmanaged or unacceptable risks.

5.4 This statement will be reviewed during the period of the strategy. The Council may decide to move the line up or down based on a number of influencing factors including financial and capacity, and the Council may have a higher 'aspirational' risk appetite once sufficient assurance is gained and processes put in place to manage the higher levels of risk.

The Council's Risk Appetite 2024/25 – 2027/28

5.5 The Council, during the course of a year, will take fair, measured and targeted levels of risk to achieve the priority objectives included in the Council Strategy. There will be opportunities for the Council to be innovative or work differently and any identified risks will need to be considered against the anticipated cost and efficiency benefits.

5.6 The Risk Appetite Statement supports Members and officers in decision making, by setting out where the Council is comfortable taking different levels of risk, and which levels of risk are unacceptable. The Council's Risk Appetite should be considered in conjunction with the risk section of all committee reports when decisions are made.

5.7 Risks that fall above the risk appetite 'line' may still happen and should still be managed effectively and transparently.

5.8 The potential range of the Council's appetite for its significant risks included in the Corporate Risk Register is shown in the diagram below, with shaded areas identifying the Council's risk appetite levels:

Risk levels / Risk description	Averse	Cautious	Flexible	Open	Seeking
Financial/ Asset – amount of financial loss prepared to put at risk through lost investment and/or financial loss	Up to £100k	£100k - £250k	**£250k - £500k**	£500k - £1m	£1m +
Compliance Exposure to **legal** challenge. Risk of **regulatory** interest/ involvement	Following approved standards and practices, engaging in business as usual, low value transactions	Following approved standards and practices, engaging in business as usual, increased value transactions	**Following approved standards and practices as far as possible, innovating, public interest, high value transactions**	**Innovating, new area of work, significant public interest, high value transaction**	Innovating in unprecedented environment
Reputation Exposure to reputational damage or enhancement	No chance of any repercussions / negative comments	Little chance of significant repercussions and mitigation in place beforehand	Exposure of greater scrutiny and public interest. Management through listening and active engagement. Risk of reputational damage.	**Experimental– possible significant reputational damage or enhancement**	Unprecedented – probable significant reputational damage or enhancement
Operational	Essential development of core business only	Maintain status quo; new schemes are tried and	Encourage innovation through new schemes	**Proactive pursuit of innovation and crafting**	Desire to 'break the mould' and challenge

Related to the delivery of Council Strategy		tested only by others	offered to the Council	**solutions that have not been attempted before**	current working practices

Table 3. West Berkshire Council Risk Appetite

5.9 An additional concept, important in defining and understanding the Council's risk framework, is the risk tolerance. The HM Treasury and the Government Finance Function define risk tolerance as "*The level of risk with which an organisation is willing to operate*" (Source: Government Finance Function – Risk Appetite Guidance v.2., August2021)

5.10 This Strategy reflects the Executive's risk appetite and provides clarity about its levels as follows:

Financial Risk Appetite – Flexible

- The Council aims to operate with a **financial risk between £250k – £500k**. This relates primarily to the transformation activities rather than the core business areas in order to stimulate the initiatives to digitise service delivery or to achieve better, faster and cheaper service delivery more effectively delivered in partnership.

Compliance Risk Appetite – Flexible/Open

- The Council aims to operate with a legal risk that **finely balanced between flexible and open, following approved standards and practices as far as possible but also allowing for innovation**, willing to engage in new areas of work, of significant public interest, and related to high value transactions.

Reputation Risk appetite – Open

- The Council's reputation is one of the most important assets which employees and Councillors aim to protect to ensure there is little chance of significant repercussions. This relates primarily to the core business areas. As custodians of the public's trust and public's funds, even the transformational activities are delivered with sound governance arrangements in place and follow a strong and consistent corporate project management methodology. However, in the process of seeking the benefits of new ways of achieving or improving outcomes for the residents the Council is seeking an **open reputational risk**, with possible significant reputational damage or enhancement.

Operational risk appetite – Open

- The Council aims to operate with an **open appetite for innovation** and for crafting service delivery models and initiatives that redefine the ways in which residents and stakeholders are enabled to achieve their outcomes.

<u>Risk criteria and response</u>

5.11 The Council has chosen to divide the rating into bands as shown on the risk matrix below, defining the criteria used to manage the risk exposure and reflecting the risk appetite levels described above.

5x5 Risk Matrix Assessments

Impact					
5 Critical	Moderate 5	High 10	Extreme 15	Extreme 20	Extreme 25
4 Major	Moderate 4	High 8	High 12	Extreme 16	Extreme 20
3 Medium	Low 3	Moderate 6	High 9	High 12	Extreme 15
2. Minor	Low 2	Moderate 4	Moderate 6	High 8	High 10
1. Negligible	Low 1	Low 2	Low 3	Moderate 4	Moderate 5
	1 Rare	2 Unlikely	3 Likely	4 Almost Certain	5 Certain
	Likelihood				

Figure 1. 5x5 Risk Matrix Assessments

5.12 The risk score, as illustrated by the risk matrix, triggers a particular type of response for risks relating to the council's objectives.

5.13 Once a risk has been identified, the Council needs to decide and agree what it is going to do about it as described in the following table:

Risk Level (RAG)	Current Score	Escalation	Response
Extreme (Red)	15 -25	Add to Corporate Risk Register and mitigation action.	Allocate to Executive Director to oversee and Service Director implement agreed actions.
Medium - High (Amber)	8-12	Seek assurance that identified controls are effective	Allocate to Service Director to put in place Controls Assurance.
Moderate	4 - 6	None	Monitor risk
Low (Green)	Up to 3	None	Consider at next annual review

Table 4. RAG Levels, Risk Scores, Escalation and Responses

5.14 Positive and Negative amendments are made regularly to risks in light of the above to respond to the risk and continually update risk registers.

The general impression of risks is that it is a negative event; however it is also possible that positive events and opportunities can arise and the risk score then becomes the reverse of the rating for a negative risk, e.g. an opportunity with a high rating could deliver a good return for little effort.	In managing a negative risk (Threat), we are aiming to see the risk rating decrease so that the likelihood and consequence of the risk decreases should it materialise.	↓	A positive event or opportunity is measured in a similar way to a negative risk, but the desired direction of travel is reversed.	↑

Figure 2. Positive and negative amendments

5.15 The recognised approaches to controlling risks are described as the five key elements or 5 T's; tolerate, treat, transfer, terminate and take the opportunity. These are described in more detail below. It is generally accepted that where a risk can be reduced through some form of treatment or mitigation in a cost effective fashion then it is good to do so.

5.16 As a general principle once a risk has been identified, consideration needs to be given to the five T's and that the chosen approach is seen as being cost-effective so that the control of the risk is not disproportionate to the expected benefits.

5.17 The five T's are:

Treatment	By far the greatest number of risks will be addressed in this way by using appropriate control countermeasures to constrain the risk or reduce the impact or likelihood to acceptable levels.
Transfer	For some risks the best response may be to transfer them and might be done by transferring the risk to another party to bear or share the risk; e.g. through insurance or partnership. Reputation risk can never be transferred.
Tolerate	Where it is not possible to transfer or treat the risk, consideration needs to be given to how the consequences are managed should they occur. This may require having contingency plans in place, for example, Business Continuity Plan which creates capacity to tolerate risk to a certain degree.
Terminate	Some risks will only be treatable, or containable to acceptable levels by terminating the activity that created them. It should be noted that the option of termination of activities may be severely limited in local government when compared to the private sector; a number of activities are conducted in the government sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved. This option can be particularly important in project management if it becomes clear that the projected cost / benefit relationship is in jeopardy.
Take the opportunity	This option is not an alternative to those above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. There are two aspects to this. The first is whether or not at the same time as mitigating threats; an opportunity arises to exploit positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls judged to be good enough to justify increasing the sum of money at stake to gain even greater advantages? The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities. For example, a drop in the cost of goods or services frees up resources which can be re-deployed

Figure 3. Managing Risk - Five Ts

5.18 The delivery of controls to mitigate risks' likelihood and/or impact is the responsibility of the Heads of Service/Service Directors.

Objective resulting from the section above:

Implement the new risk matrix reflecting an increased risk appetite and the tolerances set in this risk strategy

6. Risk Recording and Reporting

6.1 It is the responsibility of all staff to assess risks associated with their work and projects and to escalate any potential risks which they feel cannot be managed within sensible parameters to their Directorate Management Team. These risks may then be escalated further as part of the quarterly review of the Corporate Risk Register at Corporate Board.

6.2 The Council's risk management framework is built on the basis of risks being escalated from a service/department level through to a corporate level. As part of risk being managed the framework requires consideration of the mitigation measures being suggested and whether the tolerance level is appropriate.

6.3 Where risk levels are considered to be extreme (Red) on the risk matrix, the appropriate Service Director must escalate the risk to the Executive Director for a discussion at Directorate level so that consideration can be given as to whether the risk should be moved to the Directorate Risk Register or the Corporate Risk Register. Risk escalation to the Corporate Risk Register is the responsibility of the Service Director and Executive Director.

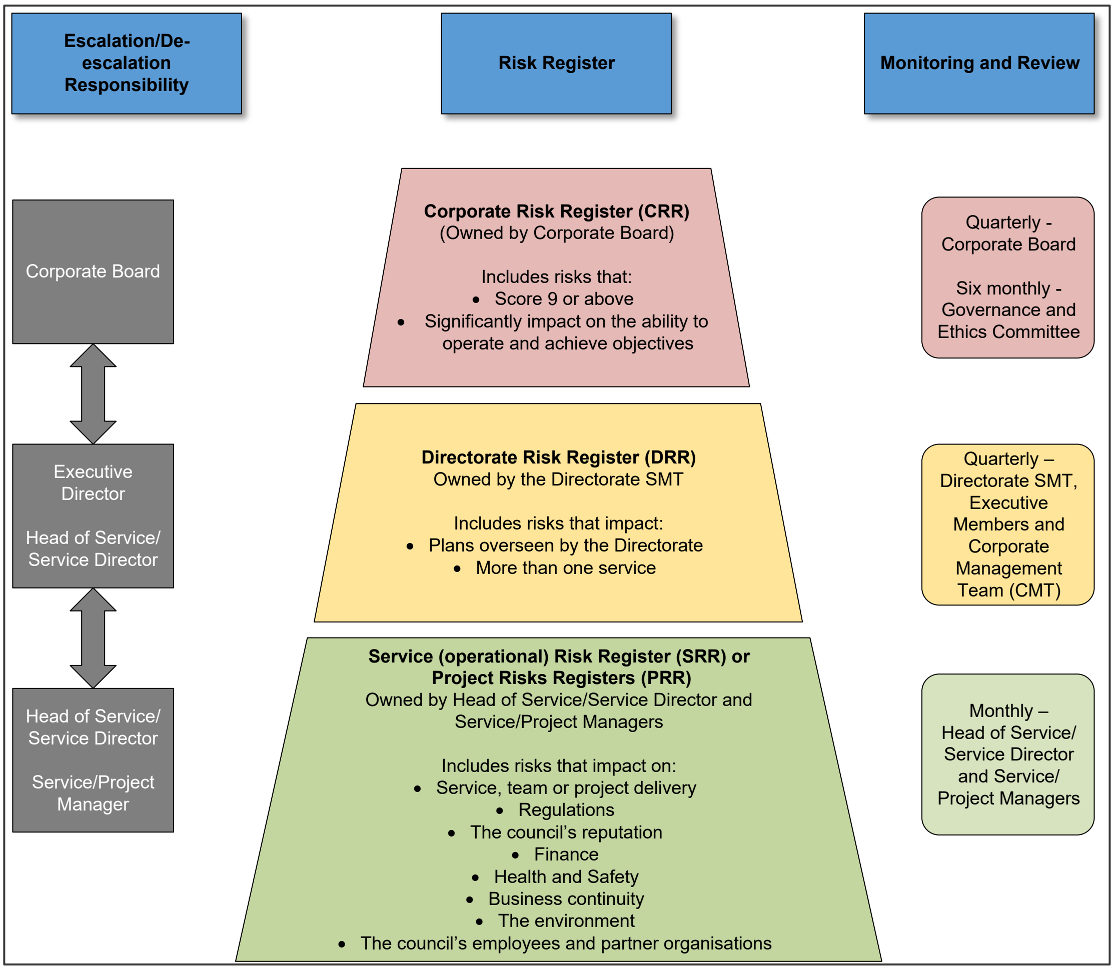

Figure 4. Risk Escalation

Objective resulting from the section above:

Support the introduction of a control's assurance process

6.4 Effective Risk Management requires that there is clarity of the responsibilities for risk and ownership of those risks identified. This policy identifies where the responsibility lies for identifying, considering and controlling risk and opportunities.

Members	**Responsibilities**
Operations Board	• Determine overall risk appetite and tolerance for the Council and for each corporate risk. • Ensure consideration of risk in decision making. • Quarterly review the Corporate Risk Register.
Executive Member	• Oversee risks relating to their portfolio, including projects in the corporate programme.
Governance Committee	Provide independent assurance to the Council on the effectiveness of risk management and internal control by: • Review the Corporate Risk Register to ensure it is reflective of the strategic risks to the delivery of the Council's objectives and management of risks is effective. • Scrutinise the Annual Governance Statement to ensure that it is a correct reflection of internal control, risk management and governance. • Receive reports from Internal Audit, External Audit and other inspection bodies indicating strengths and weakness in internal control, risk management or governance. • Participate in training and development sessions.
Officers	**Responsibilities**
Head of Paid Service	Overall responsibility to: • Ensure the Annual Governance Statement is an accurate reflection of internal control risk management and governance. • Oversee corporate and cross cutting risks, and resolve conflicts and competing demands for resources. • Lead the quarterly review of corporate risks with Corporate Board. • Arrange the review of the Risk Management Policy.
Executive Directors	• Ensure that there is effective risk management in their Directorates in line with this policy. • Maintain the Directorate Risk Register, ensure that it is reviewed at least quarterly by the DMT and that risks are escalated or de-escalated to/from the Corporate Risk Register where appropriate.

	• Approve action plans with residually high risk (i.e. those outside of the Council's risk tolerance).
Service Directors / Service Leads/Service Managers	Ensure that risks to services are properly managed and that: • Service Team Risk registers are maintained and regularly reviewed. • Any significant new risk identified to be fed up to the Service Director and/or Directorate SMT. If required the risk could then be escalated to Corporate Board. • The Risk Management Framework is embedded in their service areas and that staff are aware of the underlying risk management principles. • Ensure that the controls put in place to mitigate risks are adequately deployed and maintained when necessary. • Ensure awareness of risk impacting other areas than the one they manage (e.g. through the CMT meetings) and highlight cumulative effect of risks. • Support the identification of strategic risks, including strategic governance risks relevant for the Annual Governance Statement (AGS) (R3)
Second Line of Defence Officers/ Risk Managers	• The Risk Manager - develops and updates the risk management policy/strategy, facilitates a risk aware culture, establishes internal risk management processes and procedures, provides advice, guidance and support in relation to risk management, coordinates the risk management activities, compiles risk management information and prepares reports. • Other officers in Finance, Legal Services, Performance and Risk Management, HR, Joint Emergency Planning and Insurance – see paragraph 3.6.
Internal Audit	• Plan audit work to take into account key risks and how effectively they are managed providing assurances for the Annual Governance Statement, the Corporate Risk Register and Governance Committee. • Undertake periodic reviews of the effectiveness of the risk management framework. • Prepare, on behalf of the Head of Paid Service, the Annual Governance Statement.

All Staff	• Be familiar with the Risk Management Policy.
	• Maintain an awareness of risks, and feed into the formal process, alerting management to:
	    o Risks which are effectively managed, or the level of current risk is unacceptably high (red).
	    o Issues that arise or near misses.

Objective resulting from the section above:

Increase communication regarding risk exposure and the actions being taken to mitigate risks

7. Risk Registers

7.1 The risk registers are reference documents that summarise the different risks that might occur and impact the Council. Just because a risk is included on a risk register, does not mean that the Council thinks it will happen, but it does mean that the Council thinks it is worth seeking to manage. The risk score is, therefore, based on a 'reasonable worst case scenario'. The methodology for the scoring of risks is included in section 5 above.

7.2 The Council maintains several risk registers, and these are:

- **Corporate Risk Register** – this register records the most significant risks for the Council or those risks which may prevent the Council from achieving its strategic objectives as set out in the Council Strategy. This is considered by the Corporate Management Team, Corporate Board, Operations Boards and the Governance Committee.

- **Directorate Risk Registers** – include the risks from the Corporate Risk Register but also risks that might affect the delivery of individual directorates, but would not in isolation threaten the Council's overall objectives.

- **Service Risk Registers** – include the risks from the Corporate Risk Register and the Directorate Risk Registers but also risks that might affect the delivery of individual services but would not in isolation threaten the Council's overall objectives. Operational risks are managed by Heads of Service/Service Directors or service managers.

- **Project Risk Registers** – provide a register of the risks that, if occur, will have a positive or negative effect on the achievement of the project's objectives. Significant risks from project risk registers are escalated by the Service Director/Head of Service to their Service Risk Registers and follow the normal procedure for further escalation if necessary.

Objectives resulting from the section above:

Maintain a risk aware culture through a common language, training and engagement, with a particular focus on the involvement of Councillors through more in-depth training

Further develop actions to ensure that the cumulative risk exposure is appropriately identified and managed

8. Project Risk Management

8.1 The Council's approach to risk management from a project and programme perspective has improved through increased training on the Project Management Methodology (PMM) based on PRINCE 2 principles.

8.2 At the inception of each new project, the project board should review and approve the risk appetite or, where they are not the Governance Board, present to their overarching Governance Board for approval.

8.3 All projects should have a risk register which is regularly reviewed at project board meetings and adjusted accordingly once mitigating action is taken. The stakeholders should be regularly briefed on any changes in risk. A risk, in terms of project delivery, is defined as anything which could be potentially harmful to the delivery of the project detrimentally affecting budget, delivery timescales or the project outcome.

9. References

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Appendix 1 - Risk Management Policy

1. Purpose

This policy details West Berkshire Council's approach to risk management. It includes details of each stage of the risk management process, providing methodological guidance in order to ensure consistency and clarity of approach.

2. Definitions

2.1 There are numerous definitions for risk[1], all of them including reference to event, probability and impact on objectives. The Council adopts the definition of risk used by the ISO 31000 Guide 73:

2.2 Risk management is defined as the rigorous and coordinated process of identifying significant risks relevant to the achievement of the Council's strategic and operational objectives, evaluating their individual and combined likelihood and impact, and implementing the most effective way of mitigating, managing and monitoring them.

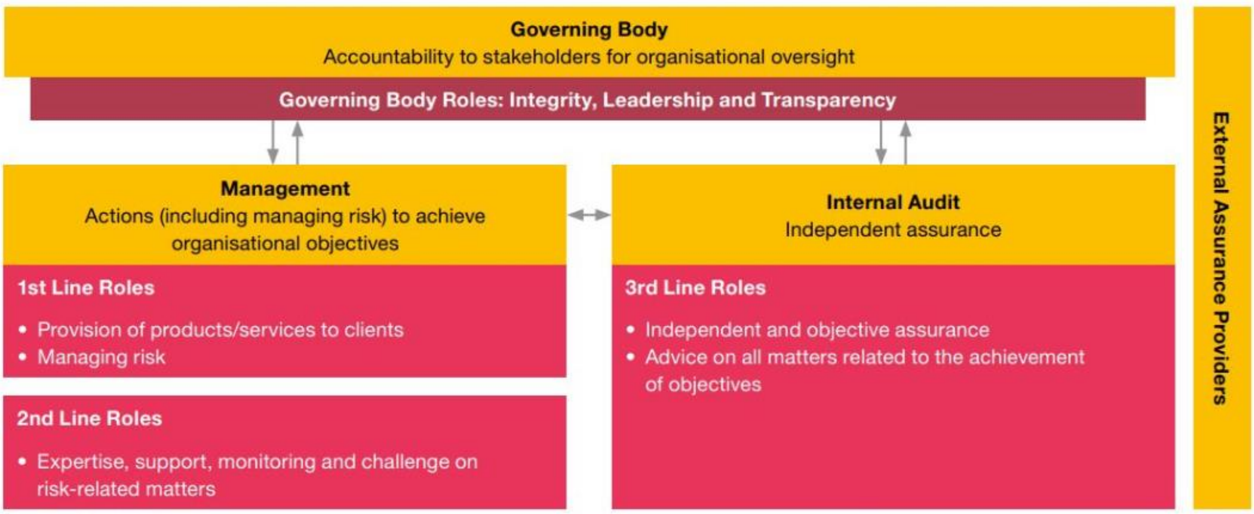
2.3 The definitions for the other key risk management terminology used in this document are listed as part of Appendix 1.

3. The three lines model

3.1 As a key function of the Council's governance arrangements, the risk management approach is based on the three lines concept aiming to ensure the delivery of a sound level of assurance, accountability and awareness based on access to multifaceted and responsive intelligence.

3.2 July 2020 IIA published revised 3 Lines Model The following diagram is an example of the three lines concept:

Chart 1. Three lines



[1] Definitions are provided by the Institute of Risk Management, HM Treasury, Institute of Internal Auditors

3.3 **First line role** - As the first line , Service Directors own and manage risks within their service area with the assistance of their Service Leads and Service Managers. They are also responsible for implementing appropriate corrective actions to address, process and control weaknesses. Service Directors / Heads of Service are also responsible for **maintaining effective internal controls** and managing risk on a day to day basis. They identify, assess and manage risks ensuring that their services are delivered in accordance with the Council's policies in order to achieve the agreed aims and objectives.

3.4 **Second line** - The second line relates to the strategic direction, policies and procedures provided by the Council's oversight functions (e.g. Finance, Legal Services, Performance and Risk Management, HR, Joint Emergency Planning and Insurance). These teams are responsible for designing policies, setting direction, ensuring compliance and providing assurance, including with regard to the existing controls put in place to mitigate risks. Included within the Anti-Fraud and Corruption Policy is the Council's Whistleblowing Policy which encourages staff to report concerns which may expose the Council to risk.

3.5 **Third line -** Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the organisations' operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3.6 The aim of internal audit's work programme is to provide assurance to management, in relation to the business activities, systems or processes under review, that the framework of internal control, risk management and governance is appropriate and operating effectively; and risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

3.7 Such risks are identified through senior management liaison and internal audit's own assessment of risk. External audit, inspectors and regulators also provide assurance on the management of risk and delivery of objectives.

We recommend that the link to the crisis management process/handover from crisis management to BAU should be documented in the Risk Management Policy. The Policy should include documentation of the approach to alternative escalation/risk reporting routes for rapidly changing/ time-critical risks where steering is required. **Emergency Response Framework**

4. Our corporate approach to risk management

4.1 Risk management is about providing assurance by being 'risk aware'. Risk is ever present in everything that we do and some risk taking is inevitable if the Council is to achieve its objectives. Risk management is about making the most of opportunities when they arise and achieving objectives once those decisions are made. By being 'risk aware' the Council is better placed to avoid threats and take advantage of opportunities. Proper project management and service planning processes and principles will identify potential risks early in the process and set out how these can be avoided or mitigated. Staff training in project management principles is essential to embed these good practices.

4.2 By embedding a culture of risk management into the Council, Members and officers are able to make effective decisions about services and the use of financial resources to ensure that the Council's objectives are met.

4.3 The assessment that the culture of the organisation is 'risk aware' is based on the following:

- **Leadership** – there is strong leadership within the organisation in relation to strategy, policy and operations as evidenced by the drive to ensure a strong approach regarding the Council Strategy, additional supporting strategies and associated delivery plans, all backed up by a strong service planning approach.
- **Involvement** – all stakeholders are involved in all stages of the risk management process. This is evidenced by the continuous activity at service/department level, directorate level, Corporate Board, Operations Board and the Governance Committee. In addition, the involvement of all three lines in risk management is also evident.
- **Learning** – training on risk management and learning from events are covered though formal training sessions for Councillors and specific advice, support and 'critical friend' challenge to risk owners and strategic decision makers.
- **Accountability** – the approach of the Council is not an automatic blame culture but is based on encouragement to identify and address issues, report likely underperformance at the earliest stages and agree corrective actions, on a background of clear accountability for objectives and actions.
- **Communication** – the approach to accountability is supplemented by an openness on all risk management issues, reporting of causes of underperformance and actions implemented to address them (up to the public arena at the Executive and scrutinised by the Overview and Scrutiny Management Commission – see performance framework). Risk information is also reported to Corporate Management Team, Directorate Management Meetings, Corporate Board and Operations Board. In terms of public meetings, risk is reported as a Part II (confidential information) report to the Governance Committee.

4.3 An effective corporate approach to risk management will:

- Make it more likely that the Council's objectives will be achieved,
- Safeguard the organisation and provide assurance to Members and officers,
- Become part of every manager's competency framework, job description and performance appraisal,
- Provide support to the overall governance of the organisation,
- Improve decision making,
- Identify issues early on,
- Provide a greater risk awareness and reduce surprises or unexpected events,
- Develop a framework for structured thinking,
- Ensure better use of finances as risks are managed and exposure to risk is reduced,
- Facilitate achievement of long-term objectives and
- Ensure a consistent understanding of and approach to risks.

The principles

4.4 It is important to maintain a sense of proportionality with day to day risk and the following principles will be applied:

- Managers have a good understanding of their services and service developments, and are able to adequately identify the risks involved.

- Managers understand the limits that the organisation places on the action that can be taken by any individual officer. There is a general awareness of what management action is appropriate and where further consultation and approval are required with colleagues and more senior managers. The organisation therefore recognises its risk appetite in relation to the decisions it takes.

- There is a good level of understanding, of what risk it is acceptable to take, during the normal course of work and the organisation recognises its risk appetite in relation to its ongoing activities.

- Unnecessary bureaucracy should be avoided, in particular by preparing documentation solely to demonstrate (rather than support or enhance) effective management. The cost (in terms of the time involved) relative to the benefit gained by defining every possible risk in detail and assigning impact and likelihood scores to each risk associated with every planned or current activity is deemed too great to be generally worthwhile. However, where there are known concentrations of risk, such as in new service developments or relating to our programme of projects, managers understand that they should document, monitor and manage these risks using the Council’s scoring framework. Similarly, the corporate management team (or specific services that deliver specific corporate functions) should seek to identify, assess and manage those risks that seem likely to cause problems or bring benefits at a corporate level.

- The internal audit team works with the Executive Director (Resources) and Service Director (Strategy & Governance) and Corporate Board to consider the Council’s assurance needs, and makes its own assessment of the internal audit work required to provide this assurance. This is presented to the Governance Committee annually.

- Managers are encouraged and supported to consider the potential threats and opportunities, involved in any new service developments and improvements, and to monitor ongoing performance. Documentation of risks, related controls and mitigating action plans should be considered where this is helpful and appropriate and, where this is the case, risk registers should be prepared. This is likely to be appropriate for specific service development projects, when project risk registers should be monitored closely by the lead project manager and sponsor. Individual teams should also consider risk, specifically when updating annual service plans.

- Partnership risks are managed and owned by the Council's service that has entered into such a partnership with the aim to achieve specific service objectives. Risks are identified in relation to these objectives in the service risk register.

5. Our risk management process

5.1 The Process arrangements that support risk management at the Council include the following components:

- Risk Assessment:
  - Risk identification and the Council's strategic and operational planning processes (see Section 6)
  - Risk analysis and Risk evaluation (see Section 7)
- Risk response/treatment, including the Risk Appetite (see Section 8 and Section 9)
- Risk recording and reporting (see Section 10)

5.2 The diagram below shows the Risk Management process and the systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing the Council.

Graph 2 Risk Management process

Objective resulting from the section above:

Continue a systematic process of risk identification, analysis, assessment, treatment and reporting, based on a quarterly cycle.

6. How do we assess risks?

- **Risk Assessment - Risk identification and the Council's strategic and operational planning processes**

6.1 A Council Strategy is produced every four years and refreshed every two years and is accompanied by a Strategy Delivery Plan which is reviewed annually. Additional supporting strategies are developed with supplementary delivery plans. Annual Service/Department Plans are produced to detail the delivery of the Council's objectives by its services/departments.

6.2 The report templates for the approval of strategies, delivery plans and the associated specific decisions with actions from the service plans, require authors to consider and comment on risks. This translates into a risk identification process, with significant risks being reflected in the Service/Department Risk Registers and in Project Risk Registers.

6.3 A significant aspect of the Council's performance management framework, with implications for this risk management strategy, is that the strategic goals of the organisation are grouped in two main categories:

- Core business – reflecting the 'business as usual', highly visible functions of the Council for residents and stakeholders. These include typically objectives for maintaining/continuing the delivery of high performing activities.
- Priorities for improvement – more transformational type objectives, which are aiming to improve outcomes, either where they are judged below expected levels or where they are already strong (compared with similar local authorities) but, given the importance at local level, the decision is to improve even more.

6.4 The efforts made by the performance management function to ensure the planning approach is non-silo working, together with centralised governance arrangements for approval of strategies and plans (including risk implications) are factors that contribute to creating an overall picture of risk exposure.

6.5 The Council is using a sophisticated approach to performance management, monitoring contextual intelligence (measures of volume), performance measures (targeted KPIs) and measures of corporate health. Many of these measures are also Key Risk Indicators that inform the risk assessment process.

6.6 Similarly, the developments relating to the Corporate Programme Office enhance the governance arrangements and ensure that the corporate project management approach is followed by all projects. As part of the corporate approach all projects are required to ensure they identify, assess, manage and report risk and performance.

Objective resulting from the section above:

Further integrate risk management and performance management processes with particular focus on project management integration and identification of Key Risk Indicators (KRI) and Key Control Indicators (KCI).

6.7 When identifying risks, it can be helpful to use the following sources of risk as prompts to ensure that all areas of risk are considered:

Sources of Risk	Risk Examples
Infrastructure	Functioning of transport, communications and utilities infrastructure. The impact of storms, floods and pollution.

Politics & Law	Effects of change of government policy, UK or movement from EU legislation, national or local political or control, meeting the administration’s manifesto commitments. Issues of timing. Following the organisation’s stated/agreed policy. Legality of operations. Includes regulatory issues, Ofsted or Care Quality Commission’s inspection outcomes, and Ombudsmen’s decisions.
Social Factors	Effects of changes in demographic, residential and social trends on ability to deliver objectives.
Technology	Capacity to deal with obsolescence and innovation, product reliability, development and adaptability or ability to use technology to address changing demands.
Competition & Markets	Affecting the competitiveness (cost and quality) of the service and/or ability to deliver value for money and general market effectiveness.
Customer & Stakeholder – related	Satisfaction of: citizens, users, central and regional government and other stakeholders. Managing expectations – consulting & communication on difficult issues
Sustainability / Environmental	Environmental consequences arising from option (e.g. in terms of energy efficiency, pollution, recycling emissions etc.)
Finance	Costs, long term financial sustainability/ reliance on finite or vulnerable funding streams. Financial control, fraud and corruption.
People Management Human resources	Managing changes to services that may affect staff and/or ways of working. Resourcing the implementation of the option. Employment Issues (TUPE etc.). Maintaining effective health & safety of staff and users.

Contracts & Partnerships	Dependency on, or failure of, contractors to deliver services or products to the agreed cost and specification. Procurement contract and relationship management. Overall partnership arrangements, e.g. for pooled budgets or community safety. PFI, LSVT and regeneration.
Tangible Assets	Security of land and buildings, safety of plant and equipment, control of IT hardware.
Reputation	Affecting the public standing of the Council, partnerships, or individuals in it (affecting you). Management of issues that may be contentious with the public or the media.
Professional Judgement & Activities	Risks inherent in professional work such as assessing clients' welfare or planning or response to the Human Rights Act.

Appendix 2 - Definitions of key terminology that is part of West Berkshire Council's risk management framework

Risk - is the effect (a positive or negative deviation from the expected) of uncertainty on objectives. Risk is often expressed as a combination of the consequences of an event and the associated likelihood.

Risk management - is defined as the rigorous and coordinated process of identifying significant risks relevant to the achievement of the Council's strategic and operational objectives, evaluating their individual and combined likelihood and potential consequences, and implementing the most effective way of managing and monitoring them.

Risk aware – term relating to the risk culture within the organisation and denoting a higher maturity level of the risk management processes.

Risk response - once a risk has been identified, assessed and analysed actions are put in place to respond/manage the risk. British Standard 31100 and ISO 31000 use the term 'Risk treatment' as 'the process of developing, selecting and implementing controls' or 'the process to modify risk' respectively.

Gross risk rating - likelihood and impact without additional, specific mitigation action. Size of the event when a risk materialises and representing the inherent level of risk.

Current risk rating - this is the likelihood and impact at the time of assessment and each re-assessment, based on mitigation action already put in place but excluding further mitigation action planned.

Expected Net risk rating - this is a future level of likelihood and impact based on any additional mitigation action (if any) planned to further address the triggers and the consequences of risks

Risk appetite - the level of risk with which an organisation aims to operate (Source: Government Finance Function – Risk Appetite Guidance note V1.0, October 2020)), similar definitions are:

The amount of risk that an organisation is willing to seek or accept in the pursuit of long-term objectives. (IRM 2011)

The amount and the type of risk that an organisation is willing to pursue or retain (ISO Guide 73 (2009)

Risk tolerance - The level of risk with which an organisation is willing to operate (HM Treasury and the Government Finance Function) (Source: Government Finance Function – Risk Appetite Guidance note V1.0, October 2020)

Risk Control / Mitigation – Actions to reduce the likelihood and/or the magnitude of a risk, being owned by a Service Director.

Impact – the effect on the finances, infrastructure, reputation and marketplace when a risk materialises at a particular likelihood level.

Likelihood – evaluation or judgement regarding the chances of a risk materialising, sometimes established as a ‘probability’ or ‘frequency’.

Risk Owner - The individual officer stated to be responsible for "day-to-day" management of a risk, in effect the person accountable for this risk. The risks are owned by Heads of Service / Service Directors and, for risks on the project risk registers, by Project Managers. Even cross-cutting risks are allocated each to a specific Head of Service/Service Director to own.

Cross-cutting risks - West Berkshire Council defines cross-cut risks as those that affect more than one Service/Department.

Key Risk Indicators (KRI) - A key risk indicator (KRI) is a metric for measuring the likelihood that the combined probability of an event and its consequence will exceed the organization's risk appetite and have a profoundly negative impact on an organization's ability to be successful. West Berkshire Council is using an extensive number of performance indicators, many of them acting as the organisation’s KRIs.

Key Control Indicators (KCI) - A Key Control Indicator (KCI) is a metric that provides information on the extent to which a given control is meeting its intended objectives in terms of loss prevention, reduction, etc. In so doing KCIs can be used to measure the effectiveness of particular operational risk controls at a particular point in time.