



# WLGA Corporate Risk Policy

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Document History

Document Status

This is currently a draft version.

Document Location

Latest version will be stored on the WLGA Sharepoint.

Version Control

Version Number	Revision Date	Previous revision date	Officer	Summary of Changes
1.0			JR	Initial Draft

Approvals

Name	Signature	Responsibility	Date of Issue	Version

# 1. Introduction to Risk Management

## What is Risk Management

The uncertainty connected to risk is often thought of in terms of a negative impact but can also be considered as a potential opportunity. Risk management is the term which refers to the systematic application of principles, approach and process to identify and assess risks and then to plan to implement a suitable response or intervention to mitigate threats and take advantage of opportunities.

Risk should be defined in three parts: **The event** → **the consequence** → **the impact**. A very simple example is 'school funding is cut → [lessfewer](#) teachers → poorer educational attainment'.

## Purpose of Risk Management

The purpose of risk management is to support effective decision making by dealing with risk in a way that is visible, repeatable, and consistent. A meaningful risk management process will provide the WLGA with a better understanding of the corporate risks and their likely impact.

The WLGA is a subscription organisation funded by its 22 members and 6 associate members. A substantial part of funding for core activity comes from a retained portion of top sliced Revenue Support Grant. To ensure continued funding from its membership the Association needs to be able to demonstrate sustainable and continuous achievement of objectives contained in the Business Plan. Good risk management will be at the heart of achieving those objectives.

# 2. Commitment

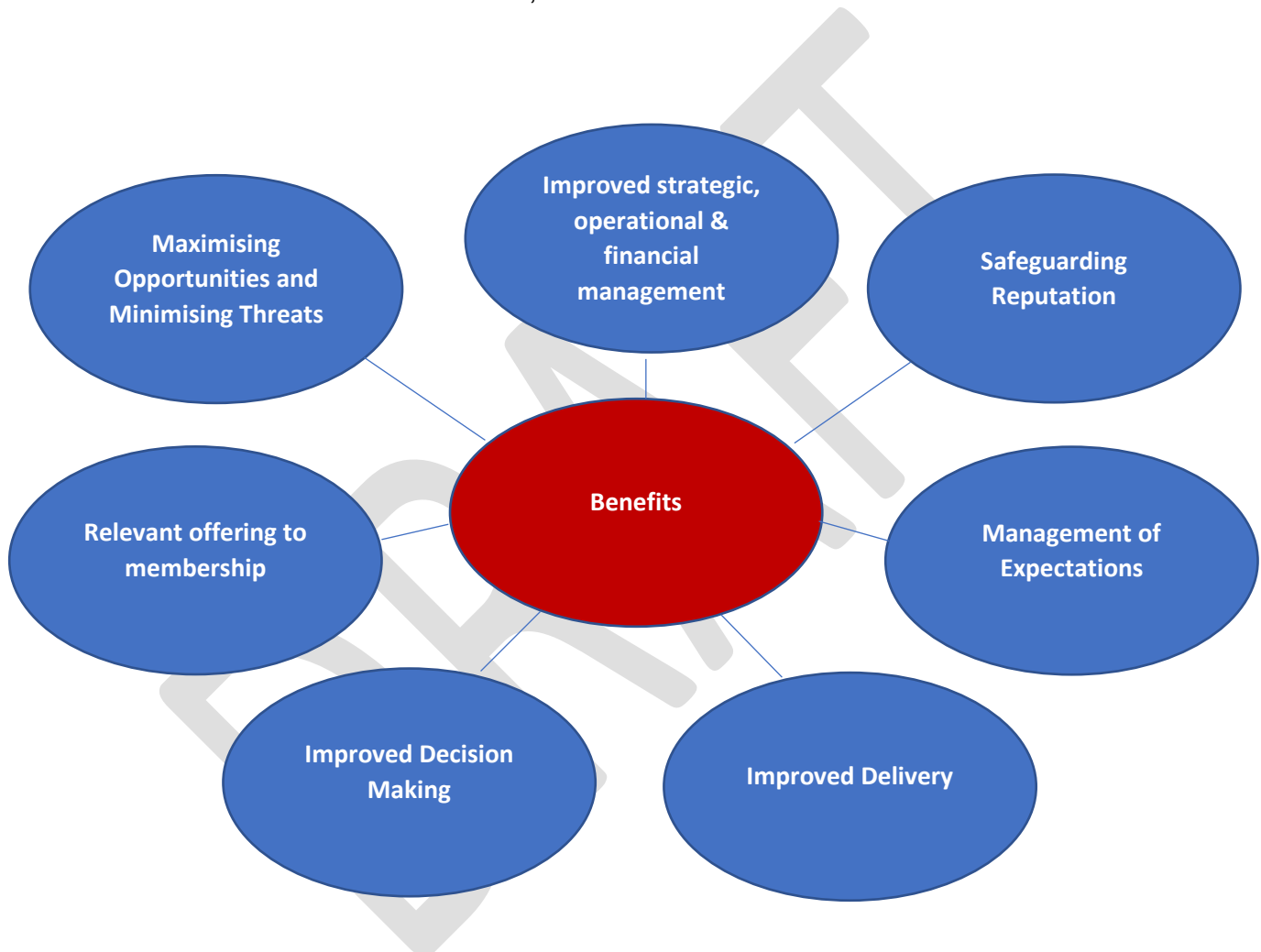
A review of the WLGA's risk management approach commenced in autumn of 2021, to test the existing risk management approach and whether it was still fit for purpose. This was undertaken by an officer from Cardiff Council and the review concluded with 7 recommendations which were accepted by the SMT and Audit Committee:

1. The WLGA should develop and implement a Risk Management Strategy & Policy. This would seek to:
  - Outline the scope of risk management.
  - Integrate and embed risk management into the culture of the organisation.
  - Assign risk management roles, responsibilities and accountability.
  - Ensure risk awareness and proportionate and consistent management of risk.
  - Prevent injury, damage, breaches and losses.
  - Enhance realisation of opportunities and resulting benefits.
2. SMT should review the organisation's risk appetite, current strategic risks, risk categories and its risk scoring matrix.
3. Directorate/service area risk registers should be introduced.
4. The current format for capturing and reporting risks needs to be reviewed.
5. Governance arrangements need to be reviewed for the reporting of the organisation's risks, and this should include the role of the Audit Committee.
6. Risk management training for all key/identified staff.
7. Awareness raising of risk management across the [w](#)hole of the organisation.

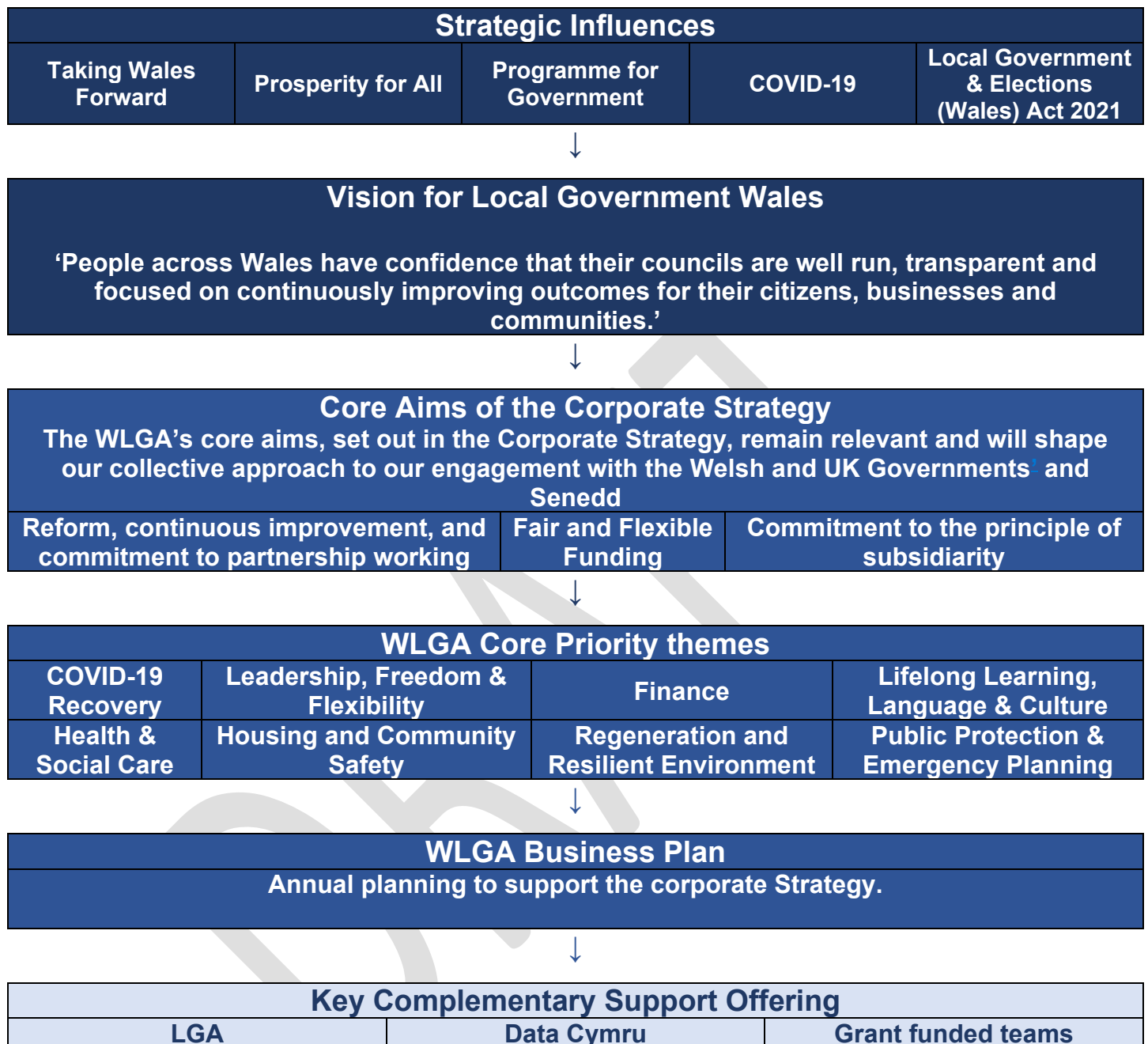
The Senior Management Team is committed to implementing the recommendations and embedding risk management into the culture and working practices of the WLGA to ensure a robust response to opportunities and threats so that we can maximise the potential for achieving our objectives.

### 3. Benefits

Risk management is a management tool that forms part of the WLGA's governance arrangements. It enables us to view our activities with a focus on viability, sustainability and ensuring we maximise use of available resource to achieve the overall aims of the Association and vision for local government in Wales. Integration of risk management into the culture of the WLGA has numerous benefits, which include:

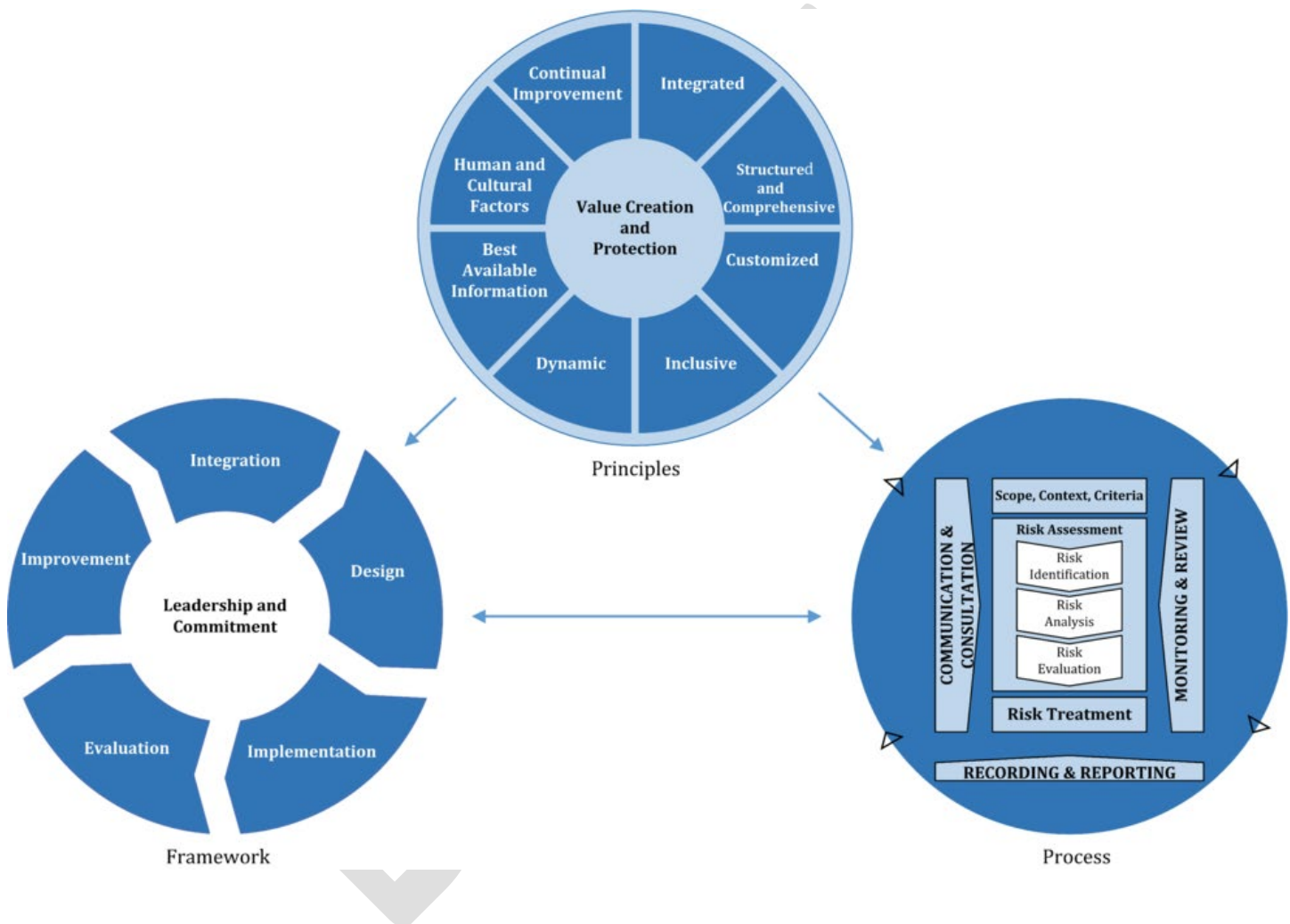


## 4. WLGA's Vision & Aims



## 5. Risk Management Framework

To support the successful delivery of the core aims, the achievement of the overall vision for local government in Wales, and meet the core priority themes, there is a need to ensure that a coordinated and integrated approach to risk management is adopted within the WLGA's governance arrangements. Following the review of our risk management approach, the WLGA Senior Management team aspired to following the Treasury's [Orange Book](#) which in turn relies on ISO 3100:2018 outlined below:



## 6. Risk Management Approach

Section 3 sets out the core aims of the WLGA drawn from the Corporate Strategy and Business Plan. The core priority themes are set out in the business plan and progress monitored through the Annual Report. Each of the core priority themes aligns with a directorate and head of service teams. Business planning in each team will identify the roles and responsibilities of individual team members for activities within each service area.

To support the management of risks, a Corporate Risk Register will be maintained which will include strategic risks to the achievement of the WLGA's Corporate Strategy and Business Plan. Operational risks will be captured at Departmental/Service level and should be a standing agenda item at team meetings. Risk registers will also be maintained for significant programmes/projects. Significant operational risks that pose a risk to the achievement of the WLGA's corporate objectives will be escalated to the Senior Management Team to consider for inclusion on the Corporate Risk Register. Risk Registers should be reviewed on a quarterly basis.

The Corporate Risk Register will be considered as a standing agenda item by the Senior Management Team and reported to the Governance and Audit Committee quarterly.

The WLGA is a member of ALARM Risk Management and through the Director of Resources will use intelligence received through this body to support its approach to both the identification and response to risks. A corporate folder, accessible to all, will be maintained on SharePoint.

Training will be undertaken across the WLGA to support the understanding of risk management, the benefits, approach, and expectations as outlined within this strategy. Training will also be addressed within the induction process for new employees.

## **Risk Appetite**

The WLGA's risk appetite will be kept under review to ensure it reflects the level of risk the WLGA is prepared to take in pursuit of its objectives.

During 2022-23 the WLGA will take measured and targeted levels of risk to achieve its vision and objectives. In supporting local government to adapt and respond quickly to the changing global risk environment, the WLGA needs to have a robust yet innovative approach to managing risks.

To support the risk appetite, tolerances against the four risk categories have been defined. Suggest the categories and level of tolerance are discussed with SMT to ensure they are an appropriate fit for the WLGA as a whole.

Once agreed on the most appropriate category of risk then need to consider individual tolerance levels – e.g. probably have a low tolerance to a statutory risk possibly a 4 or 6.

The current WLGA Risk Register includes 8 Strategic Risks.

- Strategic Risk 1 – Impact and Delivery
- Strategic Risk 2 – Full Membership
- Strategic Risk 3 – Effective Governance and Leadership
- Strategic Risk 4 – Persuasive Communications
- Strategic Risk 5 – Financial Sustainability
- Strategic Risk 6 – Effective Business Management
- Strategic Risk 7 – Effective People Management
- Strategic Risk 8 – Accessible Information

Pembrokeshire's preferences and tolerances look like this

**Financial Risk:** This is the risk of changes to the Council's financial position in relation to revenue and capital expenditure and income/capital receipts. **Tolerance Level 6**

**Infrastructure Risk:** This is the risk to the Council's facilities, services provided and supporting systems. **Tolerance Level 8**

**People & Knowledge Risk:** This is the risk to the Council's intelligence both in terms of information and personnel. **Tolerance Level 9**

**Statutory Compliance:** This is the risk to the delivery of the Council's statutory services and responsibilities. **Tolerance Level 4**

A suggested framework and a starter for 10 (which could be iterated after discussion with Audit Committee) might be:

**Financial Risk:** The risk of changes to the financial position of the Association in relation to income or expenditure. **Tolerance Level 8**

**Governance Risk:** The risk to the good stewardship of the organisation including communications, reputation, and membership. **Tolerance Level 4**

**Delivery Risk:** The risk of delivering the business plan objectives. **Tolerance Level 8**

**People and Business Management Risk:** The risk to staff, knowledge and business processes within the organisation. **Tolerance Level 6**



## 7. Risk Management Process



## Assess Risk

## Risk Categories

Risks will be defined under the following four categories:

**Financial Risk:** risks to the achievement of activities within the financial parameters of the WLGA's budget.

Delivery/Supply Risk: risks to the delivery of services, e.g. time, quality.

Demand Risk: risks to meeting the needs of its members, e.g. capacity, capability.

Reputation Risk: risks to the perception of the value and independence of the WLGA.

## Probability and Impact Assessment Criteria

To have a consistent and comparable approach to Risk Management, set criteria have been developed for the assessment of all risks (see Appendix A). Risks will then be scored using the 4x4 matrices (See Appendix B).

## Controlling Risk



When taking action to mitigate a risk (treat, transfer, share, enhance and exploit) the risk should be re-assessed to determine the residual score of the risk. This provides assurance that the action taken is reducing threats to within acceptable tolerance levels.

## Ownership

To ensure that there is clarity around roles and responsibilities, all actions should be assigned to the individual responsible for undertaking the action. Similarly risks should be assigned a risk owner to determine who is responsible for monitoring those actions are effective in managing the risk. At a Corporate level, Directors and Heads of Service are responsible for their risks. The Chief Executive has overall responsibility for maintaining an effective approach to Risk Management at Corporate and Departmental level.

## Appendix A

### Impact Assessment Criteria – Threats

Impact	Description
<b>Very High</b>	Financial Impact likely to be > 15% of budget/project allocation Unacceptable delay or quality of delivery Inability to source or supply suitable support Major PR failing impacting on WLGA and loss of political support
<b>High</b>	Financial Impact likely to be > 10% to <15% of budget/project allocation Unwanted delay or inferior quality of delivery Difficulty in sourcing or supply of support Council criticism of the WLGA and loss of confidence
<b>Medium</b>	Financial Impact likely to be > 5% to <10% of budget/project allocation Disruptive delay in delivering or substandard quality of delivery Delay in sourcing or supply of support Negative feedback on services provided by the WLGA
<b>Low</b>	Financial Impact likely to be <5% of budget/project allocation Slight delay in delivering or lower standard of delivery Difficulty in supporting demands that are on the fringes of the role of the WLGA

### Impact Assessment Criteria – Opportunities

Impact	Description
<b>Very High</b>	Financial Impact likely to be > 15% of budget/project allocation Exceeding expectations in delivery and/or bringing additionality to the wider Sector Ability to respond immediately to source or supply specialist support to Member Organisations Major PR success impacting on WLGA and increase of political support
<b>High</b>	Financial Impact likely to be > 10% to <15% of budget/project allocation Meeting high standards of service delivery and providing added value to Member Organisations Ability to promptly source or supply of support to Member Organisations Sector praise for the WLGA and increase of confidence
<b>Medium</b>	Financial Impact likely to be > 5% to <10% of budget/project allocation Delivering good service standards and providing some additional value Sourcing or supply of support within a reasonable timeframe. Praise for the WLGA and increase of confidence
<b>Low</b>	Financial Impact likely to be <5% of budget/project allocation Delivering expected service delivery standards within the scope of the request Meeting demands that are within the definition of the WLGA s. Positive feedback on activities/services

### Probability Assessment Criteria

Impact	Description
<b>Almost Certain</b>	>85% chance of occurring
<b>Likely</b>	>50% to <85% chance of occurring
<b>Possible</b>	>15% to <50% chance of occurring

<b>Unlikely</b>	<15% chance of occurring

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## Appendix B – Evaluation Matrices

Threats					
Probability	Almost Certain	Low (4)	Medium (8)	High (12)	High (16)
	Likely	Low (3)	Medium (6)	Medium (9)	High (12)
	Possible	Low (2)	Low (4)	Medium (6)	Medium (8)
	Unlikely	Low (1)	Low (2)	Low (3)	Low (4)
		Low	Medium	High	Very High
Impact					

Opportunities					
Probability	Almost Certain	Low (4)	Medium (8)	High (12)	High (16)
	Likely	Low (3)	Medium (6)	Medium (9)	High (12)
	Possible	Low (2)	Low (4)	Medium (6)	Medium (8)
	Unlikely	Low (1)	Low (2)	Low (3)	Low (4)
		Low	Medium	High	Very High
Impact					

## Annex C – Example of New Style Risk Register

### 1. Financial Sustainability & Resilience

#### Description of Risk

A significant loss of income would impact on the delivery of the business plan which means that membership withdrawal or a reduction in grant funding reduction pose serious risks to the Association and reputational damage. With a large number of grant-funded teams it is important for them to make a full contribution to the corporate overheads so the recharge policy must be fair and be consistently applied. The most significant budget pressure comes from staff costs including pension liabilities. A crystallising event would have a serious impact on the going concern of the organisation.

#### Risk Control Measures

- Effective budget planning and management ✓
- Financial strategy reviewed by Management Sub Committee ✓
- Strategy for reducing the Pensions Deficit agreed with Pension Fund ✓
- Treasury Management Policy agreed, and balances diversified with CCLA deposits ✓
- Regular dialogue with WG, UK Government and other funders on grant funding ✓

#### Risk Control Measures Planned

- Accommodation Review: complete except for legal issues ✓
- External Audit programme for 2021-22 Accounts ✗
- Budget and medium-term financial plan to complete before year end ✗
- Make case for longer-term grant funding or additional WLGA top-slice where grant activity aligns with core WLGA priorities. ✓
- Triannual revaluation of Pension Fund due autumn 2022 ✓

#### Risk Scores

Risk Stage	Probability	Impact	Risk Score	Movement
	(a)	(b)	(a)*(b)	↑↓↔
Inherent	4	4	16	
Residual	3	3	9	↓
Tolerance			8	

#### Risk Owner

Director of Resources