



Summary

Our observations on local government risk management practices

As councils seek to achieve their objectives and meet the needs and expectations of their communities in an increasingly complex environment, it is essential that they clearly understand the risks they face and how to manage those risks.

We have previously reported that risk management was one of the least mature elements of governance in the public sector. Therefore, we wanted to know about councils' current risk management practices.

Councils provide a wide range of critical services to their communities. Given the consequences if these services fail, we expected that all councils would have a formal risk management framework in place that is fully integrated into their strategies, business activities, and decision-making. We also expected risk management to be supported by appropriate resourcing and training.

Some councils do not currently have a formal risk management framework. In our view, those

councils should prioritise putting a formal risk management framework in place. Councils also need to consider whether risk management is part of their organisational culture and integrated into the decisions they make.

To support good governance, elected members need to maintain an overall view of their council's strategic objectives, be aware of obstacles to achieving those objectives, and receive assurance that their council is managing risks well.

In our view, more could be done to support elected members as they consider the risks faced by their council, particularly how they factor this into their decision-making. Risk management should not be viewed as a separate process but integrated into all decision-making.

The councils we looked at are still largely using basic risk management practices. However, they plan to improve their risk management practices over time.



We encourage chief executives and elected members to consider the maturity of their existing risk management practices and prepare a clear plan for improving that maturity. We provide examples in our report to help with this.

To improve their risk management practices, we expect councils to:

- have someone who is responsible for enabling and driving good risk management practices throughout the council;
- integrate risk management into all council activities, particularly strategy-setting and decision-making. As an example, some councils that have declared climate emergencies do not identify climate-related risks as a separate key risk for the council;
- improve the training and support provided to elected members, particularly in their roles and responsibilities for effective risk management; and
- carry out regular reviews of risk management activity to inform progress and areas of improvement.

Specialist tools, such as quantitative risk assessment, could also be more widely applied. This would give managers and governors a better understanding of the risks to delivering complex programmes of work and how they could reduce their exposure to those risks.

We acknowledge that implementing risk management practices takes time and resourcing. However, the consequences of not adequately managing risk are significant. They can often result in large and unexpected expenditure, service failure, and a loss of public trust and confidence.