

Risk Management Policy Statement & Strategy



Version Control

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|------------------|-------------------|
| Version | 1 |
| Status | Draft |
| Date | September 2024 |
| Service | Strategy & Change |
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| Authorised By | TBC |
| Publication Date | TBC |
| Review Date | (every 2 years) |

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1. Risk Management Policy Statement

The Corporate Plan sets out our focus for the next four years: what we aim to achieve for our residents, businesses and visitors and how we will transform as an organisation. It translates the long-term vision of the Council, as set out in the council and place vision, into short- and medium-term priorities. To meet our corporate objectives, the Council will need to become more innovative and commercially minded exploiting opportunities, whilst still operating in an environment where there are high expectations around transparency, integrity and accountability. Delivering value for money remains at the heart of good governance in local authorities.

Risk management is a key principle of the Council's effective corporate governance, it is a vital activity that underpins achieving our vision, values, and strategic objectives. By managing threats effectively, we are in a stronger position to deliver our objectives. By managing opportunities, we can ensure improved services and demonstrate effective value for money.

The Council's attitude to risk is to operate in a culture of creativity and innovation, in which risks are identified in all areas of the organisation, are understood and proactively managed rather than avoided. We will continue to develop a positive risk culture, which embraces openness, supports transparency, welcomes challenge, and promotes collaboration, consultation, co-operation, and continual improvement.

The objective of this strategy is to create a risk management process that:

- Provides a concise view of the top strategic, operational and project risks facing the organisation
- Raises awareness and confidence to stakeholders
- Provides clear monitoring to ensure key actions take place
- Provides a consistent escalation process
- Risk management is integrated into normal business planning and informs decision-making processes
- Ensures the risk management process including effective reporting arrangements to senior management and Members remain fit for purpose, optimising the efficiency of resources input

To achieve this, Councillors and the Corporate Leadership Team will champion:

- Effective mechanisms to identify, analyse, manage and monitor risk.
- Effective communication about risk within the organisation.
- Their statutory responsibilities for risk management particularly in areas where there is a high inherent risk such as health and safety.
- That effective risk management and constructive challenge of controls will help improve the delivery of the outcomes identified in our Corporate Plan by directing finite Council resources to where they can achieve the most, whilst exploiting opportunities to achieve outcomes via more innovative means.

2. Risk Management Strategy

2.1 Risk Management Framework Principles

This strategy, alongside the Risk Management Toolkit and risk management process provides a framework for consistent and robust identification and management of opportunities and risks across the Council, supporting openness, challenge, innovation and excellence in the achievement of objectives.

To ensure the framework is effective, the following principles should apply:

- Risk management is essential to governance and leadership, and fundamental to how the Council is directed, and managed at all levels
- Risk management is an integral part of all organisational activities to support decision-making in achieving objectives
- Risk management is collaborative and informed by the best available information and expertise
- Risk management is continually improved through learning and experience

2.2 Definition of Risk

The definition of risk used within the Council is:

RISK is 'The chance of something happening that will have an impact (negative = threat or positive = opportunity) on the Council's ability to successfully deliver its approved outcomes. This includes external and internal risks and opportunities.

RISK MANAGEMENT is therefore the process by which risks are identified, analysed, prioritised, managed and monitored / reviewed.

2.3 Three lines of Defence

The Council supports a Three Lines of Defence Model with everyone within the Council having responsibility for risk management.

Operational risks are the primary concern of the services, who control and monitor them, escalating to the strategic level if they are no longer manageable at the functional level. Departmental identified risks and mitigations are managed through departmental risk conversations and registers. This is the First Line of Defense.

When risks impact the ability of the Council to meet the Corporate Plan's strategic objectives, risks are escalated to the Corporate Leadership Team where they are discussed reviewed and updated via the Councils' Corporate Risk Register. These conversations are supported by the specialist knowledge of section 151, monitoring officer and the Head of Internal Audit. This is the Second Line of Defence.

The Third Line of Defence is Internal Audit who can provide an objective evaluation of the adequacy and effectiveness of the framework, governance, risk management and control when necessary.

3. Risk Management Process

More detail to support successfully embedding risk management is provided within the Risk Management Toolkit. An overview is provided below.

3.1 How to record risks

Two levels of risk register will always be in operation:

- Directorate Risk Registers (one for each of the Executive Directors) and,
- the Council's Corporate Risk Register

Service risks will be captured in Service Plans and identified on an ad-hoc basis.

Risks will be escalated to Directorate risk discussions when the risk requires additional assessment, monitoring or constructive challenge. Chaired by the Executive Director, directorate risk conversations will occur regularly, to review escalated and deescalated risks, identify new risks, assess, challenge controls, monitor and decide when to escalate to the Corporate Risk Register or deescalate to service managers. If management actions have failed to reduce the risk or if despite the action taken to manage the risk, the risk has increased, then it may need to be escalated. Directorate Risk Registers will be updated and stored within the relevant Teams channel, noting those risks to be escalated.

Members of the Extended Corporate Leadership Team will discuss directorate risks and identify those which, if managed jointly between departments, can be more effectively monitored and controlled. Jointly managed risks will be noted on the relevant Directorate Risk Registers.

Executive Director's will have the dual responsibility of overseeing their Directorate Risk Register and escalating risks to the Corporate Leadership Team for discussion within the Council's Corporate Risk Register. The Corporate Leadership Team, alongside the Audit Manager will assess, monitor and review risks, and where appropriate deescalate risks from the Corporate Risk Register. Risks that are managed to an acceptable level may be removed from the corporate risk register and included on the relevant directorate risk register.

The Corporate Leadership Team and those setting strategy and policy, will use horizon scanning and scenario planning to identify and consider the nature of emerging risks, threats and trends. New risk identification should be agile and may be ad hoc at Service, Directorate or Corporate level, or through the regular risk meetings.

3.2 Risk Assessment

The Council's methodology for risk **ASSESSMENT** is for the likelihood of the risk materialising, and the impact, should it materialise, to be scored using a defined criteria on a four-by-four grid. When assessing a risk there are two ratings to be confirmed from the analysis of the risk:

- The **RESIDUAL RISK SCORE** is the level of the risk after considering the mitigations currently in place.
- The **TARGET RISK SCORE** is the level at which the risk will fall within the Council's risk appetite and be accepted.

3.3 Prioritisation

The **PRIORITISATION** of risks will be dependent on the outcome of the analysis stage and the gap between the residual and target risk ratings.

When taking decisions regarding the appropriate action to manage a risk, consideration will be given to whether it is the likelihood or impact that we seek to reduce. It may be necessary to communicate with other individuals, teams, groups or boards, as others may need to understand the risk that is being managed, or their role in the control environment that needs to be in place.

A template Risk Register is in place for Corporate and Directorate Risk Registers, supported by the Pentana performance management system.

3.4 Risk treatment

RISK TREATMENT is the process to select, design and implement risk treatment options to support achievement of intended outcomes and manage risk to an acceptable level. Risk treatment options include:

- **Treating** – management action / control to lessen the probability or severity of the risk to bring the risk to within the Council’s risk appetite or to ensure that the opportunities available are being optimised.
- **Transferring** – passing to a third party, usually via a contract i.e. insurance – this would bring the activity within the council’s appetite and overall tolerance level. The transferred cost should be lower than the potential risk impact.
- **Tolerating** – accepting the current level of risk, because it is within the council’s defined appetite to do so and/or the cost of mitigations to reduce it further outweigh benefits to be gained in terms of affecting the likelihood or impact. The risk will still be logged and monitored.
- **Terminating** – ceasing the activity, as the risks are more significant than the benefits, exceeding the Council’s risk appetite or moves the overall level of risk over its tolerance for risk, and/or the cost of mitigations to rectify this far exceeds the resources available.

3.5 Risk Monitoring

Risks and their corresponding action plans need to be periodically reviewed and monitored to ensure changes are recognised and captured. The frequency of review should not be arbitrary, focus should be directed based on three factors:

1. The level of risk, more frequent attention to those of most significance.
2. Those risks where deadlines for actions are due, it is important to ensure actions are completed as planned and that they have had the expected effect on the risk rating.
3. Risks where the Residual and Target risk ratings are furthest apart, as these are the risks where the council is most exposed and greatest action is required to move to within appetite.

There is an expectation that risk registers are formally reviewed at least every six months.

3.6 Risk Reporting

Timely, accurate and useful risk reporting enhances the quality of decision-making and to support management and oversight bodies in meeting their responsibilities. This will be achieved through the regular Departmental and Corporate Risk Conversations and a half yearly briefing to Cabinet details priority strategic risks.

4. Risk Appetite and Tolerance

RISK APPETITE is the amount of risk that the Council is willing to seek or accept in the pursuit of its objectives.

The Council does not seek to avoid all risk. Acceptance of risk is subject to ensuring that potential benefits and risks are fully explored and that appropriate measures to mitigate risk are established before decisions are made. The Council further recognises that the appetite for risk will vary according to the activity undertaken and the ability to exercise controls and different appetites and tolerances to risk will apply.

The Orange Book – Management of Risk – Principals and Concepts includes thirteen categories of risk appetite, which include Governance, Strategy, Financial, Property, Commercial, and people. The risk appetite level for each category can be assessed using the following definitions: Averse, Minimal, Cautious, Open and Eager.

The Corporate Leadership Team will undertake an annual review of risk appetite across these categories. The risk appetites will be referred to when considering the planned treatment of a particular risk. Risks defined as ‘high’ will be managed down to a tolerable and targeted level wherever possible, however, it is important that risks across the Council are not over-controlled.

The **RISK TOLERANCE** of the Council is the boundaries of risk taking outside which the Council is not prepared to venture into the pursuit of its long-term objectives.

Effective communication regarding risk is essential to ensuring that the risk appetite being applied is ensuring risks are managed within the approved tolerance level.

The Risk Appetite and Tolerance of the organisation will be considered annually as part of the planned annual review of the framework, and changes to procedures and guidance made as required.

5. Evaluation of this strategy

We will review our processes to ensure they continue to be fit for purpose, by:

- Evaluating our approach the effectiveness of risk assurance through the Annual Governance Statement.
- Annually reviewing effectiveness of risk management activity during the year and reviewing the approach to ensure it remains in line with good practice.
- Every two years we will review and update the Policy and Strategy.

Appendix 1 - Roles and Responsibilities

| Group / Individual | Role / Responsibility |
|---|---|
| Cabinet | <ul style="list-style-type: none"> • To ensure risk management roles and responsibilities are clear; • To have regard to the risks faced by the council within the Cabinet decision making process; • Agree the frequency of the review and challenge of the Corporate Risk Register; • Ensure there are clear processes for bringing significant issues to the attention of Cabinet or more rapidly when required; • Endorse the Council's Risk Management Policy Statement and Strategy. |
| All Councillors | <ul style="list-style-type: none"> • Support and promote risk management; • Consider the risks involved in any key decisions made. |
| Audit Committee | <ul style="list-style-type: none"> • To assure themselves that the Risk Management Framework is operating effectively and in accordance with the approved Policy and Strategy; • To provide independent assurance to Cabinet and Council on the above; • Seek assurances that action is being taken on risk related issues identified by auditors and inspectors. |
| Chief Executive and Corporate Leadership Team | <ul style="list-style-type: none"> • Establish the Council's approach to risk management, supported by the Audit Committee; • To ensure that the Corporate Risk Register reflects those departmental risks that may prevent the delivery of the Corporate Plan; • To act as the intermediary between Departmental and the Corporate Risk Registers and associated risk discussions; • Support and promote risk management throughout the Council; • To oversee the development / review of the Council's Risk Management Strategy / Framework; • To ensure engagement in risk and control mechanisms across their respective service areas; • Challenge the Corporate Risk Register at least six monthly; • Focus their agenda on gaps in controls and / or assurances • Brief Cabinet Portfolio Members on the risks associated with their areas of responsibility. |
| Extended Corporate Leadership Team | <ul style="list-style-type: none"> • Champion and ensure that risk management is implemented across their teams; • Identify relevant lead officers / risk owners as appropriate; • To ensure that Members are briefed on significant risks that fall within their theme / outcome and actions to address these; • Consider cross cutting, joint working and risks within partnership working; |

| Group / Individual | Role / Responsibility |
|--------------------------|--|
| | <ul style="list-style-type: none"> Escalate risks as appropriate to CLT / Corporate Risk Register. |
| Internal Audit | <ul style="list-style-type: none"> To offer independent, objective assurance and advice on risk management activity; To undertake an audit of risk management arrangements and make recommendations on actions to be considered; To provide assurance on the effectiveness of controls, including annual assessment of the council's risk management and internal control mechanisms as part of the Annual Governance Statement. Head of Internal Audit attends CLT risk management discussion |
| Risk Management Function | <ul style="list-style-type: none"> To be undertaken by the Policy & Performance Team. To ensure that the Risk Management Framework, including the Policy Statement, Strategy and guidance, are kept up to date, reflect best practice and are relevant to the Council; To provide support on risk management across the Council; To co-ordinate the reporting of the corporate risk register to senior officers and Councillors and provide advice and challenge as appropriate, including the tracking of action plans in the risk register. To support the identification of and analyse key new and emerging risks and report to CLT for consideration (horizon scanning); Support communication of the risk management strategy and process, and update as appropriate, across the council through risk reviews and training sessions; Promoting risk management awareness. |
| All Employees | <ul style="list-style-type: none"> To understand the risks that relate to their role and activities and their role in reporting on and managing these; To report new or emerging risks in a timely manner. |