

# RISK MANAGEMENT POLICY STATEMENT & STRATEGY

**Approved by:**  
*Corporate Management Team: 7 August 2019*  
*Cabinet: 17 September 2019*

**Next Planned Review:**  
*2021*



# Risk Management Policy

The focus for Southend Borough Council is set out within the 2050 ambition and in delivering against the desired outcomes, to fulfil that ambition, decisions are taken regarding allocation of increasingly finite resources. The Council has needed to become more innovative and commercially minded in order to exploit 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.

The Council's Risk Management Framework needs to evolve, along with other elements of the governance framework, to support the achievement of the 2050 outcomes. There are a number of core principles at the heart of the new Council's Risk Management Framework, these include that:

- risk management is a positive value added activity, focused on achievement and successes, not a negative bureaucracy – by changing the perception and raising awareness officers will have increased confidence when managing operational risks
- all staff are responsible for risk management and resources that support the framework are there to 'support and challenge' not 'own and do'
- wider Member involvement in identifying and monitoring the most strategic risks the organisation faces would add value, whilst the roles of the Audit Committee, Scrutiny and Cabinet are critical to robustness of the overall framework
- the Southend 2050 ambition and outcomes need to drive the Council's budget and financial management arrangements, performance management of the outcome delivery plans and risk management framework
- by getting the conversations happening with the right people, at the right time and in the right place, the required thinking can be applied and the processes to capture, document and report risks will be simple and become part of business as usual
- the framework ensures joined up Strategic, Operational, Programme and Project Risk Management whilst recognising the differences between them.

It is important for everyone to recognise that:

**Risk management is not about being 'risk averse' – it is about being 'risk aware'.**

Risk is ever present and some amount of risk taking is necessary if the Council is to achieve its ambition. In the current climate the council will embark on more risky activities in pursuit of greater outcomes for residents, however the actions to mitigate those risks must bring the risk exposure within the appetite and tolerance approved by members. By being '**risk aware**' the Council is in a better position to mitigate threats and take advantage of opportunities.

The Council will achieve effective Risk Management by:

- implementing this Strategy and a process that is fit for purpose, compliments and strengthens the other governance arrangements within the 2050 programme, including assurance and performance management processes
- ensuring that the management structure is not a barrier to sharing the ownership of risks or the efficiency in the control environment
- equipping managers with the skills and understanding to ensure that robust risk decisions happen across the Council
- ensuring a consistent understanding of the organisation's risk appetite so that effective communication, escalation and cascade, exists across the Council
- acknowledging that risks are increasingly shared across partner organisations, which can increase the complexity of analysis and reporting, and also that assurances regarding the level of risk may need to be sought from third parties as well as internal sources, and that these bodies may need support from the Council to achieve efficient risk management.

We will also annually review the:

- effectiveness of Risk Management activity during the year
- completion of the Risk Management action plan
- approach to ensure it remains in line with good practice.

Every two years we will review and update the formal Policy and Strategy document.

CHIEF EXECUTIVE

LEADER

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# Risk Management Strategy

## Introduction

The Council's Members and Corporate Management Team recognise:

- the importance of effective mechanisms to identify, analyse, manage and monitor risk and for effective channels of 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 risks around projects and partnerships must be effectively captured and communicated within the risk management framework of the organisation to ensure that a holistic approach to risk management is embedded
- that effective risk management will help improve the delivery of the outcomes identified in the Southend 2050 programme by directing finite Council resources to where they can achieve the most, whilst exploiting opportunities to achieve outcomes via more innovative means.

These views are endorsed by the increased focus on the importance of governance frameworks within public sector bodies and that the Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2015:

*“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes the arrangements for the management of risk.”*

The Risk Management Policy Statement and Strategy provides the foundation on which robust risk management activity, supporting the efficient and effective achievement of outcomes and delivery of services, will be embedded within business processes and contribute to the effectiveness of the governance framework.

More detail to support and guide the organisation in successfully embedding Risk Management will be provided within the guidance that will accompany this strategy.

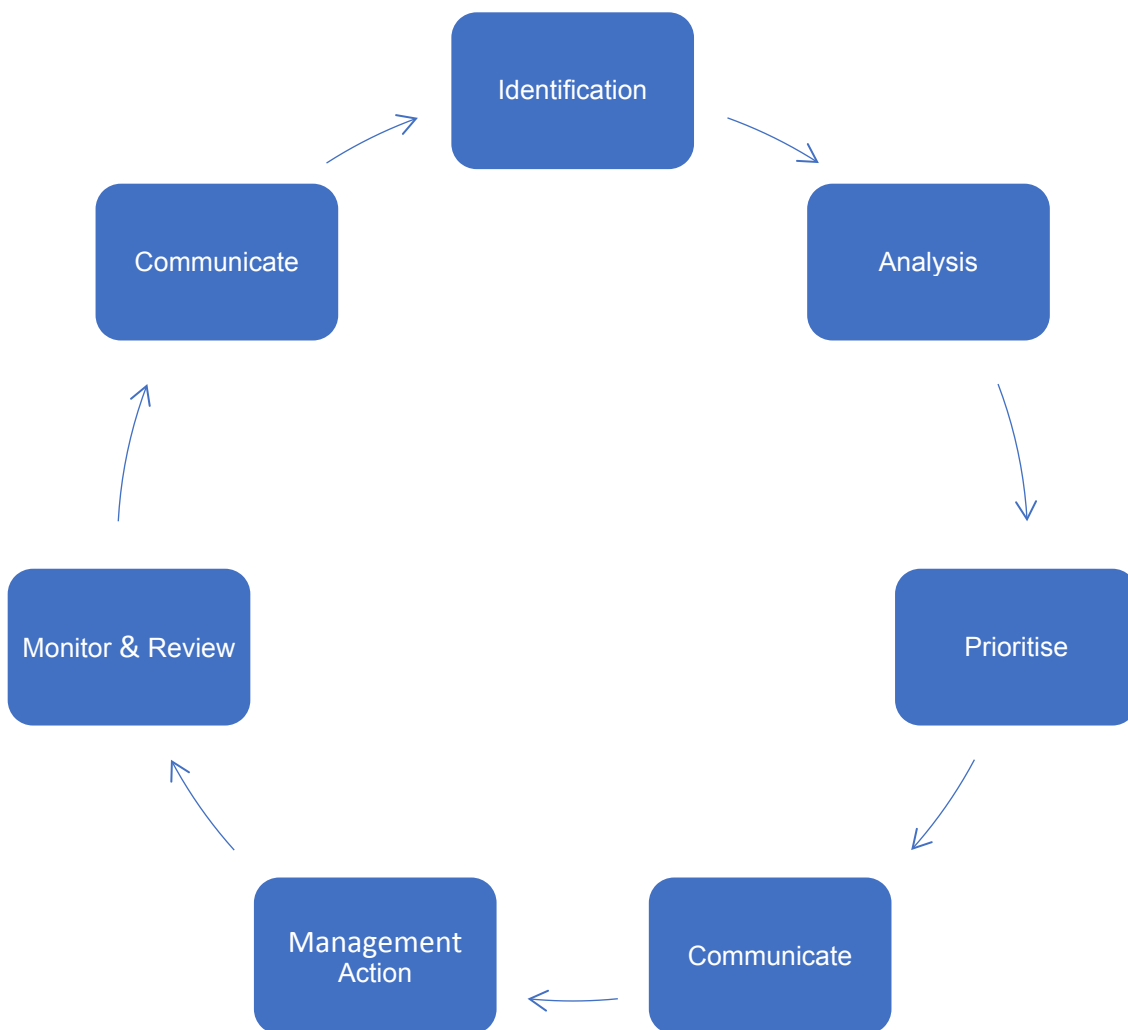
An action plan, covering the planned duration of the Strategy, has been developed to implement the strategy and further embed Risk Management into the governance framework of the organisation (Appendix 2).

## Definition of Risk

The definition of risk used within the Council is that **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. The Council has determined two clear points in the cycle where communication needs to be considered.

**FIG 1: Risk Management Cycle**



The approved methodology will be outlined within the guidance to support Management, however the high level approach is outlined in paragraphs below.

The activity to **IDENTIFY** risk is most effective when aligned to strategic, operational and project planning processes focused on the achievement of outcomes. In the context of the Southend 2050 programme risk will be identified against the themes and outcomes identified within the Council's ambition.

The Council's methodology for risk **ANALYSIS** is for the **likelihood** of the risk materialising, and the **impact**, should it materialise, to be scored using a defined criteria and scored on a four by four grid.

Guidance that supports the implementation of this strategy provides criteria to promote consistency of evaluation of risk across the organisation.

A template Risk Register is in place for the Corporate Risk Register which is supported by the Pentana system. Templates used for all risk registers will be refined and agreed by December 2019 as part of implementing this strategy. The aim will be to ensure consistency across the organisation in how risk is captured and communicated but also ensure that the templates are fit for purpose to support a streamlined approach.

A summary table is included here for information to assist in risk **ANALYSIS**. More detailed guidance is included within the Risk Management Toolkit.

| Likelihood       |          |                                      | Impact                                  |  |        |
|------------------|----------|--------------------------------------|---|--|--------|
| Score 1-4        | % chance | Time Frequency                       | Score 1-4                               | Disruption to Services<br><i>Residents affected or aware</i> | Budget |
| 1 Unlikely       | < 25%    | Once in <5 years                     | 1 Negligible                            | Minor disruption to services<br><i>Up to 5%</i>              | >1%    |
| 2 Likely         | 25 -50%  | Once in < 3 years                    | 2 Material                              | 1-2 weeks<br><i>Up to 10%</i>                                | >5%    |
| 3 Very Likely    | 50-75%   | could materialise next 18-24 months  | 3 Severe /Significant Opportunity       | Up to one month<br><i>Up to 25%</i>                          | 5-10%  |
| 4 Almost Certain | >75%     | could materialise within 6-12 months | 4 Catastrophe / Exceptional Opportunity | 1 – 3 month<br><i>Up to 50%</i>                              | 10-20% |

Consistency is also increased through the challenge mechanisms that exist within the governance structure which are documented in the delivering the strategy section. These challenge mechanisms are outlined in the appendices of this strategy (see Appendix 1).

Plotting the risks visually can help with prioritisation and also challenge i.e. when risks are reviewed in relation to other risks also being reported within the organisation. The grid below is used to present the relative importance of risks.

## Risk Matrix

Risk tolerance level – Risks above this level will need particular resources and focus

I  
M  
P  
A  
C  
T

|  |               |               |                    |                     |
|--|---------------|---------------|--------------------|---------------------|
| Catastrophic / exceptional opportunity | 4             | 8             | 12                 | 16                  |
| Severe / significant opportunity       | 3             | 6             | 9                  | 12                  |
| Material                               | 2             | 4             | 6                  | 8                   |
| Negligible                             | 1             | 2             | 3                  | 4                   |
|  | Unlikely <25% | Likely 25-50% | Very Likely 50-75% | Almost Certain >75% |

Risk acceptance level (activity below which attracts minimum effort and resources)

## LIKELIHOOD

**Risk Ratings:** 1 – 2 = low risk (Green) / 3 – 10 = medium risk (Amber) / 12 – 16 – high risk (Red)

In assessing a risk there are three ratings to be confirmed from the analysis of the risk.

The **Inherent Risk** Score – the level of risk before any mitigations have been applied.

The **Residual Risk** Score – taking into account the mitigations currently in place and the effectiveness of those implemented mitigations.



The **Target Risk Score** – the level at which the risk will fall within the Council's appetite and be accepted.

Decisions regarding target risk will be driven by the approved **Risk Appetite** This is the amount of risk that the Council is willing to seek or accept in the pursuit of its objectives.

Risk appetite will vary from person to person and is influenced by the type of risk. Guidance will be provided to Management and mechanisms within the process and procedures are designed to challenge and as a result increase consistency of decisions regarding risk across the Council. This will be reported to Cabinet twice a year, and annually the effectiveness of these mechanisms will be considered and assurances provided to Audit Committee to assist with their Annual Report to Council.

The **Risk Tolerance** of the organisation is the boundaries of risk taking outside which the Council is not prepared to venture in 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.

The **PRIORITISATION** of risks will be dependent of 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.

At this stage it may be necessary for **COMMUNICATION** with other individuals, teams, groups or boards. Others may need to understand the risk that is being managed, or their role in the control environment that needs to be in place.

Risks can be **MANAGED** by:

- **Treating** – management action / control to bring within 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
- **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
- **Terminating** – ceasing the activity – usually because the risk exceeds the Council's 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.

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 to outcomes
- 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 will be an expectation that risk registers are formally reviewed at least quarterly throughout the financial year.

Efficiency can be built into this process by ensuring robust assurances are in place regarding the materialisation of risk indicators or with regards to the design of the control environment. These assurances exist within the Council in many forms, this includes but is not limited to performance data, feedback, reviews, inspections and internal audits. Where gaps in assurances are noted then Management may not have reliable information with which to manage risk.

As risks are reviewed it may be necessary to **COMMUNICATE** the risk to others. If management actions have failed to reduce risk then it may need to be escalated. If the risk has changed then despite actions taken working the risk may still have increased and need to be escalated. Risks that become deemed to be managed to within appetite may be removed from the corporate risk register and included on a more operational risk register level, for on-going monitoring.

## **AIMS AND OBJECTIVES**

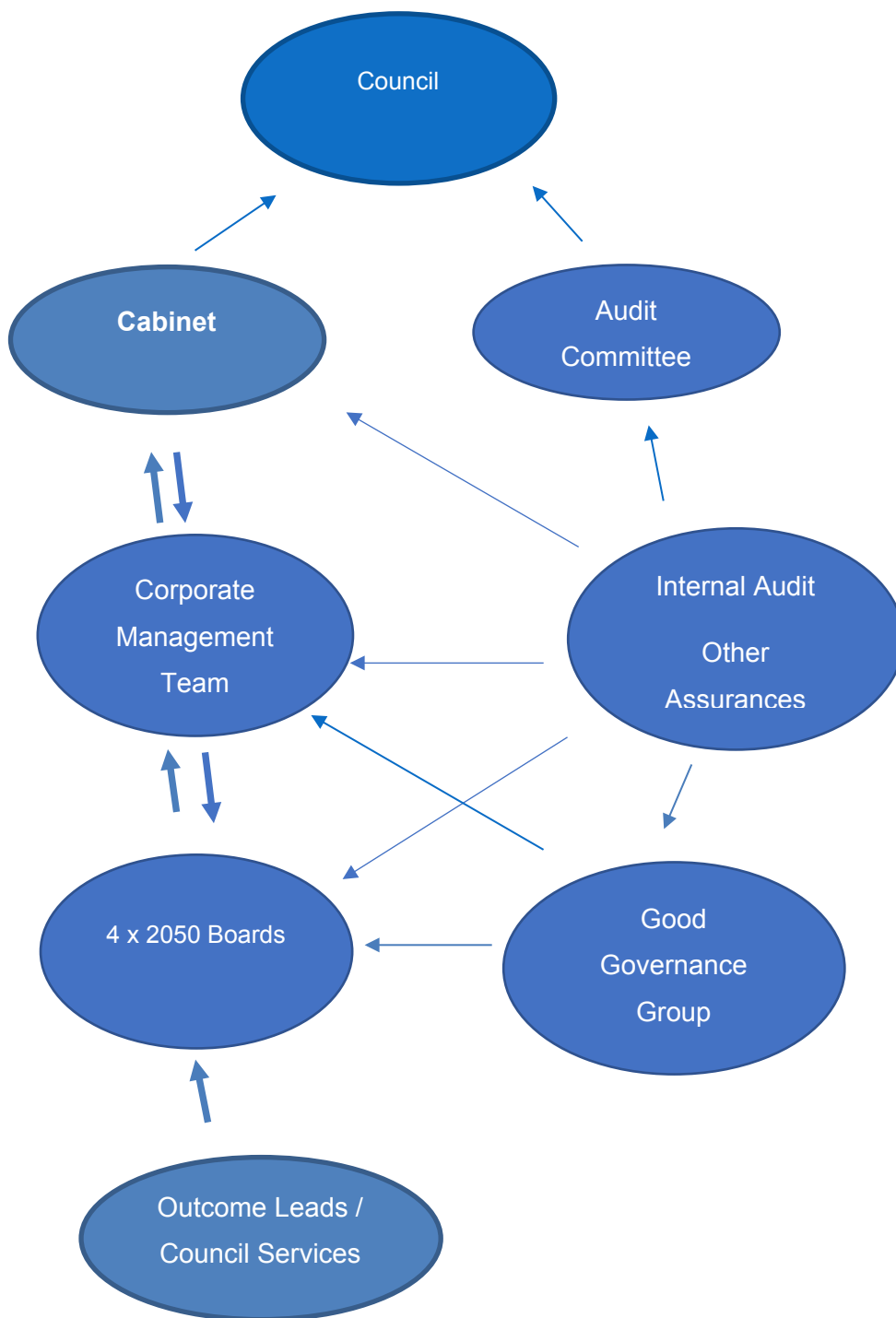
The Council's Risk Management aims and objectives, for the period of this Strategy, are as follows:

- To ensure that actions taken to maximise opportunities and minimise the likelihood of risks crystallising, and / or reducing the impact of consequences should risks crystallise, are in accordance with the Council's defined appetite and tolerance
- To further embed robust risk management into the culture of the Council in line with the approved policy, supporting procedures and good practice
- To ensure that the Risk Management process including effective reporting arrangements to senior Management and Members remain fit for purpose, optimising the efficiency of resources input.

How these objectives will be achieved is outlined within the Delivering the Strategy section below.

## DELIVERING THE STRATEGY

The diagram below outlines the governance structure with regards risk management.



**Appendix 1** outlines the roles and responsibilities with regards Risk Management in the Council. The effective delivery of the strategy will be reliant on fulfilment of the respective roles and responsibilities.

An action plan is in place to ensure implementation of the approved policy and strategy. This can be found at **Appendix 2**. From 2019/20 there is an acknowledgement that the activity will be supported by the Head of Internal Audit with other risk resources, and that the procedures will need to continue to develop and evolve as the governance around the 2050 programme evolves, until this becomes embedded.

A timetable for reporting cycles has been included as **Appendix 3** for the financial year 2019/20. This will be updated and communicated to key stakeholders annually as part of the annual review of the risk management arrangements.

A guidance document will be created to support officers in applying the requirements of the policy and strategy into their day to day roles and responsibilities. This will be finalised and approved by December 2019.

| Group / Individual                                    | Role / Responsibility  |
|---|--|
| Cabinet   | <ul style="list-style-type: none"> <li>• To have regard to the risks faced by the council within the Cabinet decision making process</li> <li>• Periodically review and challenge the Corporate Risk Register</li> <li>• Endorse the Council's Risk Management Policy Statement and Strategy.</li> </ul>   |
| All Councillors                                       | <ul style="list-style-type: none"> <li>• Support and promote risk management</li> <li>• Consider the risks involved in any key decisions made.</li> </ul>  |
| Councillor Theme / Outcome Leads                      | <ul style="list-style-type: none"> <li>• Support the development and have a shared understanding of the risk registers that relate to their allocated theme / outcome.</li> </ul>  |
| Audit Committee                                       | <ul style="list-style-type: none"> <li>• To assure themselves that the Risk Management Framework is operating effectively and in accordance with the approved Policy and Strategy</li> <li>• To provide independent assurance to Cabinet and Council on the above</li> <li>• Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.</li> </ul>   |
| Chief Executive and Corporate Management Team         | <ul style="list-style-type: none"> <li>• To ensure that the corporate risk register reflects those organisational risks that may prevent it delivering on the 2050 ambition</li> <li>• Support and promote risk management throughout the council</li> <li>• To oversee the development / review of the council's Risk Management Strategy / Framework</li> <li>• To ensure engagement in risk and control mechanisms across their respective service areas.</li> </ul>  |
| Head of Internal Audit<br>(Officer Champion for Risk) | <ul style="list-style-type: none"> <li>• Facilitating the link across risk management activity at the corporate level</li> <li>• Managing resources to support risk management in the organisation at the operational level</li> <li>• Attending CMT quarterly strategic forward looking meetings</li> <li>• Identifying the resources to deliver the action plan (appendix 2) and confirming to CMT and Audit Committee they are in place.</li> </ul>   |
| S2050 Theme Leads                                     | <ul style="list-style-type: none"> <li>• Champion and ensure that risk management is implemented across the five themes and 23 outcomes</li> <li>• Identify relevant lead officers / risk owners as appropriate</li> <li>• To ensure that Members are briefed on significant risks that fall within their theme / outcome and actions to address these</li> <li>• Consider cross cutting, joint working and risks within partnership working</li> <li>• Escalate risks as appropriate to CMT / Corporate Risk Register.</li> </ul> |
| Good Governance Group                                 | <ul style="list-style-type: none"> <li>• Challenge the Corporate Risk Register quarterly</li> <li>• Focus their agenda on gaps in controls and / or assurances</li> </ul>  |
| S2050 Outcome Leads                                   | <ul style="list-style-type: none"> <li>• To embed risk management into their outcome and escalate risks as required.</li> </ul>  |
| Risk Champions  | <ul style="list-style-type: none"> <li>• To support the continued development of risk management by embedding risk management in the running of their respective board/service and acting as a point of contact to provide support and information as appropriate.</li> </ul>  |

| Group / Individual       | Role / Responsibility   |
|--------------------------|---|
| Internal Audit           | <ul style="list-style-type: none"> <li>• To offer independent, objective assurance and advice on risk management activity</li> <li>• To undertake an audit of risk management arrangements and make recommendations on actions to be considered</li> <li>• 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.</li> </ul>   |
| Risk Management Function | <ul style="list-style-type: none"> <li>• 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 organisation</li> <li>• To provide support on risk management across the council</li> <li>• 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</li> <li>• To support the identification of and analyse key new and emerging risks and report to CMT for consideration (horizon scanning)</li> <li>• Support communication of the risk management strategy and process, and update as appropriate, across the council through risk reviews and training sessions</li> <li>• Advise on possible actions that may be required in respect of business change initiatives</li> <li>• Ensuring there is a robust framework of assurances shared within the council. For example ensuring there is periodic consideration of insurance management information reports and other risk focused performance data, and take forward any identified initiatives arising from identifying incidents that can add value to the business and avoid loss control</li> <li>• Promoting risk management awareness.</li> </ul> |
| All Employees            | <ul style="list-style-type: none"> <li>• To understand the risks that relate to their role and activities and their role in reporting on and managing these</li> <li>• To report new or emerging risks in a timely manner.</li> </ul>   |

| Ref | Implementation Action Plan  | Estimated Timing by |
|-----|---|---------------------|
| 1   | General communications to the organisation following approval of the Policy Statement and Strategy  | September 2019      |
| 2   | Attendance at four 2050 Governance Boards to capture programme / corporate risks<br>Identification of Risk Champions  | October 2019        |
| 3   | Attendance at Good Governance Group to workshop corporate risks and procedures  | October 2019        |
| 4   | Attendance at CMT to propose risk management procedures and seek approval for operational guidance documents  | November 2019       |
| 5   | Attendance at Directorate Management Team Meetings to promote risk management and new approach  | December 2019       |
| 6   | Refresh of Corporate Risk Register  | December 2019       |
| 7   | Attendance at service team meetings to promote new approach   | March 2020          |
| 8   | Meetings with outcome leads / groups to workshop risks  | March 2020          |
| 9   | Refresh of Corporate Risk Register  | March 2020          |
| 10  | Update and refresh of this action plan for 2020/21 as part of the Annual Review of Risk Management  | May 2020            |
| 11  | Independent review of Risk Management for inclusion in Annual Report and Head of Internal Audit Opinion.<br>To manage conflict of interest for Head of Audit. | May 2020            |

| Dates         | Reporting Action Required  |
|---------------|--|
| October 2019  | 2050 Governance Boards to capture programme / corporate risks    |
| October 2019  | Good Governance Group to workshop corporate risks and procedures |
| December 2019 | CMT to propose risk management procedures                        |
| December 2019 | CMT update and Corporate Risk Register                           |
| January 2020  | Cabinet update and Corporate Risk Register                       |
| February 2020 | CMT update and Corporate Risk Register                           |
| May 2020      | Good Governance Group update and Corporate Risk Register         |
| May 2020      | CMT update and Corporate Risk Register                           |
| July 2020     | Cabinet update and Corporate Risk Register                       |