AUD118
FOR DECISION
WARD(S): ALL

RISK MANAGEMENT POLICY 2015

AUDIT COMMITTEE

22 JUNE 2015

CABINET

6 JULY 2015

THE OVERVIEW AND SCRUTINY COMMITTEE

7 JULY 2015

REPORT OF CHIEF EXECUTIVE

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RECENT REFERENCES:

AUD95 – Risk Management Policy, 26 June 2014

AUD109 – Annual Governance Statement and Corporate Risk Monitoring Update, 12 March 2015

EXECUTIVE SUMMARY:

This report presents the updated Risk Management Policy 2015 which defines the Council's arrangements for managing Council risks and its integration with corporate governance and performance management.

The Policy provides an overview of the principles, benefits, framework and process along with the roles and responsibilities for managing the Council's risks. The Policy also provides a risk appetite statement for the Council which sets out the levels of risk that the Council is prepared to take or tolerate.

Attached as Appendix 3 is an updated schedule of the Corporate Risks which consists of risks that are of greatest significance to the Council.

RECOMMENDATIONS:

TO AUDIT COMMITTEE:

1. That the Committee considers the Risk Management Policy 2015 and makes comments to Cabinet as required,

2. That the Committee considers the risks included in the draft Corporate Risk Register in Appendix 3 of the Report and notifies Cabinet of the risks that it wishes to further explore and receive detailed reports at future meetings,

TO CABINET:

That Cabinet approve the Risk Management Policy 2015 and Corporate Risk Register.

TO THE OVERVIEW AND SCRUTINY COMMITTEE:

That the Committee notes the Policy and the specific reference to its role in Risk Management.

AUDIT COMMITTEE

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RISK MANAGEMENT POLICY 2015

REPORT OF CHIEF EXECUTIVE

DETAIL:

1. Introduction

1.1 This report presents the updated Risk Management Policy 2015, a key feature of the Council's Governance and Performance Management arrangements. This report includes:

- The updated Risk Management Policy 2015.
- The Council's Risk Appetite Statement.
- The updated Corporate Risk Register reflecting significant risks which may impact on the achievement of strategic objectives.

1.2 The Council is required to update and approve its Risk Management Policy on an annual basis and review its corporate risks on a regular basis. The schedule for doing this and Members' role in this framework is set out in the Policy.

2. Risk Management Policy 2015

2.1 Since 2004 the Council has adopted a Risk Policy to develop and embed risk management across the Council. The document has been updated regularly to reflect and guide the Council's implementation of the arrangements.

2.2 The Policy has been updated for 2015 in consultation with members of Cabinet and Audit Committee and the chair of The Overview and Scrutiny Committee.

2.3 The Policy sets out how the Council manages risks and opportunities using a structured, focused and proportional approach. A new approach to scoring risks is proposed in the new Policy which uses descriptors instead of numbering which can lead to confusion once impact and likelihood scores are combined, and has been developed with support from a CIPFA Associate. Instead of the previous 1-4 scoring system, the following is proposed, and further detail is set out in the draft Policy:

Likelihood	**Impact**
Highly unlikely	Low
Unlikely	Moderate
Likely	High
Highly likely	Significant

2.4 Attached to the Risk Policy at Appendix 2, is the Council's draft Risk Appetite Statement which ensures that the opportunities the Council is willing to take are measured, consistent and compatible with the Council's capacity to accept and manage risk and does not expose the Council to unknown, unmanaged or unacceptable risks. The Risk Appetite Statement provides context for Members and officers when taking decisions on new areas of work as well as running ongoing services.

2.5 This is a new addition to the Risk Policy and was drawn up following a CIPFA facilitated workshop including Cabinet Members, the chair of The Overview and Scrutiny Committee, the chair of Audit Committee. The Statement sets out the level of acceptable risk for the Council within the four key domains for risk (Financial, Compliance/Regulatory, Innovation/Quality/Outcomes and Reputation).

3. Council's Risk Register

3.1 The risk registers are a reference document that summarise the different risks that might occur and impact the Council.

3.2 The Council holds several risk registers and these are:

- Corporate Risk Register
- Operational Risk Register
- Partnership Risk Register
- Project Risk Register

3.3 The Corporate Risk Register shown in Appendix 3 includes the risks that are of greatest significance to the Council and have been assessed and evaluated by the Performance Management Team. In drawing up the Register, last year's key corporate risks form the basis of the new year's register. Emerging issues identified in the Annual Governance Statement (Report AUD117, 22 June refers) are also integrated into the Register to ensure that it covers all areas of significant risk for the Council. The table in appendix 3 sets out how the Register has been drawn together.

3.4 Appendix 3 also includes a new template for the Corporate Risk Register monitoring, designed to support Members' understanding of what activity is in place to manage the risk and to promote assurance. Comment on the new Corporate Register format is welcomed.

3.5 A fully populated Corporate Risk Register will be presented to Audit Committee for monitoring purposes at their next meeting, containing a full analysis of actions in place to provide assurance to Members that the risks are being managed. Audit Committee are asked whether they wish to identify a number of risks in particular from this list for further focus as part of their work programme for 2015/16.

3.6 The risks are regularly reviewed by Performance Management Team and any increase in the likelihood or risk impact is further explored, ensuring that appropriate plans are in place to mitigate or treat the risk.

3.7 The Corporate Risk Register focuses on a relatively small number of risks that could potentially have such a significant impact on the Council and its services that they must be given corporate attention. However these are not all the risks that might impact on the Council. There are a number of operational risks that are managed and monitored by senior managers as part of their day to day business. A review of the Council's operational risk register is underway to ensure that the risks are kept up to date and are escalated via Performance Management Team.

4. Member and staff Training

4.1 Following the request from Audit Committee that officers focus on the Council's risk arrangements, an all Member training session was held on risk in January, followed by a separate session for Cabinet and the chairs of Audit Committee and The Overview and Scrutiny Committee in June which focussed on looking at the Council's proposed Risk Appetite Statement. Periodic training for Members on risk will be scheduled as the new Risk Policy beds in.

4.2 Once the Council's Risk Policy is agreed, senior managers will receive training on the new arrangements, focussing on their role in risk management and how senior officers can give Members adequate assurance that risks are being adequately managed.

OTHER CONSIDERATIONS:

5. COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

5.1 Effective use of risk management supports the good governance arrangements at the Council and helps the Council manage threats and opportunities in managing the Council's contribution to the Community Strategy.

6. RESOURCE IMPLICATIONS:

6.1 The main resource implication is the officer time to ensure risk assessments are undertaken efficiently and effectively and are adequately evidenced within Portfolio Plans, Business/Service Plans and Governance arrangements including performance management.

6.2 Effective management of council risks reduces the exposure to adverse events and in turn assists in the availability of insurance cover at affordable cost.

7. RISK MANAGEMENT ISSUES

7.1 Risk Management helps the Council set priorities and decide on the allocation of valuable resources. If Council risks are not managed effectively, and clearly evidenced, the Council will be open to legal challenge, financial loss or damage to its reputation resulting in reduced public confidence.

7.2 The Council’s Risk Register, reflecting the Council’s exposure to risk, is contained within the Covalent Performance System. Monthly extracts of the Risk Register are located in the Council’s Intranet/Risk and Insurance to inform Members and Officers.

7.3 The explicit and implicit reference to management of risks helps the Council achieve its strategic objectives and support the Community Strategy and exploit opportunities. To this end Members and Officers need to challenge and support the Council with their risk assessment and their management plans.

BACKGROUND DOCUMENTS:

None.

APPENDICES:

Appendix 1 Risk Management Policy 2015

Appendix 2 Risk Appetite Statement

Appendix 3 Corporate Risk Register – 2015/16

AUD118
APPENDIX 1

Winchester
City Council

Risk Management Policy

2015

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1. Introduction

As part of Winchester City Council’s arrangements to ensure good governance, the purpose of effective risk management is to provide assurance and to ensure that the Council is ‘risk aware’ and able to identify risks, evaluate their potential consequences and determine the most effective methods of controlling or responding to them.

The Council believes that risk needs to be managed rather than avoided and that consideration of risk should not stifle innovation and creativity.

This Policy outlines the approach the City Council takes with regard to its responsibility to manage risks and opportunities using a structured, focused and proportional approach. Risk management is integral to all policy planning and operational management throughout the Council and integrates with our corporate governance and performance management.

This approach to risk management will actively support the achievement of the agreed actions, projects and programmes included as set out in Portfolio Plans.

Risk can be thought of as possibility that an action or event will affect the Council’s ability to achieve its objectives or outcomes.

Good risk management is about identifying what might go wrong, assessing our level of tolerance towards that and then putting in place measures to prevent the worst from happening, or to manage the situation if something does go wrong. It is also about assessing what must be done to support achievement of the Council’s objectives and acting in a way that makes this more likely to happen.

2. Why do we need a corporate approach to risk management?

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 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.

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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.

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,
- Ensure a consistent understanding of and approach to risks.

3. What is our risk management framework?

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

The Framework and Process arrangements supporting risk management at the Council involve:

- A Risk Assessment Tool (section 4)
- Details of how risk management supports corporate planning and operational management (section 5)
- Risk appetite statement (section 8)
- Monitoring and review arrangements (section 10)
- A timetable linked to corporate programme (section 11)

4. Risk Assessment Tool

The principles

The City Council generally manages risk effectively within the course of its normal operations through its management structure and governance arrangements. Project management training as mentioned above is being rolled out to appropriate staff and will support risk management during the life cycle of new and existing projects.

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 adequately to 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.
- Managers' workloads should not be increased through unnecessary bureaucracy, 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 major projects, managers understand that they should document, monitor and manage these risks using the council's scoring framework. Similarly, the corporate management team (or whoever is appropriate) 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 at the Southern Internal Audit Partnership work with the Chief Finance Officer and Corporate Management Team to consider the council's assurance needs, and makes its own assessment of the internal audit work required to provide this assurance.
- The Audit Committee and The Overview and Scrutiny Committee review risk assessments for all major projects.
- Managers will be 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,

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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 as Portfolio Plans and individual service plans are developed.

It is the responsibility of staff and their Heads of Teams 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 the Performance Management Team. The Programme Management Group will also seek to identify risks associated with major projects and the capital programme and to refer significant matters to the Performance Management Team.

Identification of risks

The Corporate Risk Register is reviewed by Performance Management Team (PMT) on a quarterly basis and any new risks are added to the register. Risk owners for corporate risks are generally a member of CMT. This risk register is formally agreed by Cabinet at the start of the municipal year and the most significant risks on this list are reported regularly to Audit Committee.

Service or operational risks are reviewed on an ongoing basis and significant risks added to the relevant Statement of Assurance during the spring of each year.

The Council’s Project Team uses the PRINCE2 methodology for managing projects. Incorporated within this methodology is a robust process for the management of project risks. Project risk registers are created for each new project and reviewed as part of the project life cycle and documented on the Project Risk Register. Overarching project risks (for example, failure to deliver on a specific project) may be included in the corporate risk register if they are of sufficient importance at this level and/or the risks are being poorly managed for whatever reason.

The Annual Governance Statement is also a key part of risk management and plays an important role in the identification and escalation of risks. The Statement is produced following a review of the Council’s governance arrangements and explains how the City Council delivers good governance. Underpinning the Statement are the individual Statements of Assurance which are completed by each Head of Team and includes details of significant risks for their service area. Risks which have additional corporate significance are escalated into the Annual Governance Statement which reads across into the corporate risk register.

It is important for Heads of Teams to consider this Policy when completing their Statement of Assurance and providing details of risks affecting the pursuit of the objectives of the team (although this is not the only time risks will be considered).

5. How risk management feeds into corporate planning and operational management

By embedding risk management into existing policy and service planning processes, Members and Officers are able to make informed decisions about the appropriateness of adopting a policy or service delivery option.

The information resulting from the risk management approach acts as one of the key pieces of information incorporated into the development of corporate, business and service plans. Risk management is an essential element in establishing policy, developing plans and enhancing operational management.

In order to formalise and structure risk management at the Council, it is recognised that there are obvious and clear links between risk management and strategic objectives; financial planning; policy making & review and performance management. The linkages are as follows:

a) The Council's Community Strategy reflects the desired shared outcomes for the District, informed by consultation with the public.
The Community Strategy is also the overarching strategy for the Council's own operations. The individual Portfolio Plans set out the Council's actions to deliver the priority outcomes included in the Community Strategy. The Community Strategy is refreshed every three years with Portfolio Plans updated annually to ensure they remain relevant to the needs of the District and adapt to changing opportunities and threats. They have regard to both local and national priorities. During the lifetime of both documents there will be direct and indirect threats to their achievement and these are risks to be managed.
Risks to the delivery of programmes and major projects set out in the Portfolio Plans are built into individual project plans.

b) As part of the annual planning process each team considers the key actions to be taken and targets for performance. An assessment of the risks forms part of this planning which is an identification and prioritisation of the most significant risks faced in delivering the key priorities for the year, with actions identified to mitigate and manage these. These actions are then managed as part of the normal business of the team.

c) Each member of staff has an annual appraisal which monitors progress being made and sets objectives for the coming year required to deliver service plan actions and achieve. As part of this, risk management is cascaded down to staff as an objective which aims to gain their support and awareness to ensure effective management of risk within the Council.

d) Measurement of performance against the Portfolio Plan objectives, performance indicators and key tasks is achieved in a number of ways:

- In addition to day to day management, teams carry out a regular review of progress in their area, which includes assessment of progress against Portfolio Plan actions, performance trends and risks. Where appropriate, exceptions are reported to the Performance Management Team for consideration and agreement of corrective action, if required.
- The Performance Management Team keeps a monthly overview of financial plans, service performance, and emerging risks with corporate risks being reviewed quarterly.
- The Overview and Scrutiny Committee receives two progress reports a year on behalf of the Cabinet that provide details of the progress towards the Council's key outcomes included in the Portfolio Plans. These progress reports take the format of a monitoring report for each Portfolio Holder and any significant issues are raised with Cabinet.

The Council uses the Covalent performance management system, to support the integrated management, monitoring and reporting of key actions, performance indicators and risks.

6. How do we evaluate risks?

The Council evaluates its identified risks on a four-point scale on the likelihood or probability of the risk occurring and the impact caused should the risk occur being rated between low and significant.

The Council has chosen to divide the rating into bands as shown on the example risk matrix below.

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Diag. 1

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	**Probability**
Highly Unlikely	1% to 25% chance in 5 years
Unlikely	26% to 50% chance in 5 years
Likely	51% to 75% chance in 5 years
Highly Likely	76% to 100% chance in 5 years

The following four categories are used to asses the impact should the risk occur as follows:

Financial/Value for Money – this is the risk of changes to the Council's financial position and circumstances, such as reserve balances, its funding, income and spending levels.

Compliance/Regulatory – this is the risk arising from the nature of the Council's business and operations, for example, the risk of failure to deliver a statutory service to residents or failure to provide an acceptable quality in service delivery.

Innovation/ Quality/ Outcomes – this relates to the extent to which the Council is prepared to explore new and innovative options for delivery of its objectives, the level in the organisation at which it wants to make decisions and its willingness to invest in new technology.

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Reputation – this is the risk to the Council in achieving or failing to achieve its priority outcomes and objectives included in the Community Strategy and Portfolio Plans and its willingness to expose itself to attention, good or bad.

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The following table provides further details and analysis of the evaluation of risk impact and of risk appetite (see appendix 1 to this Policy).

Risk levels and description **Key elements**	**Minimal** **As little risk as reasonably possible**	**Cautious** **Prefer safe delivery options**	**Open** **Consider all potential options**	**Seek** **Eager to be innovative**
Financial/VFM	Very limited financial loss if essential (up to £100,000) VfM (focusing on economy) is primary concern	Some limited financial loss (from £100,000 to £500,000) Consider benefits and constraints beyond price	Will invest and risk losing (from £500,000 up to £2m) for potential return Value and benefits considered, not just cheapest price	Invest and risk losing (from £2m up to £5m) for best possible return Resources allocated without firm guarantee of return
Compliance, regulatory	Be very sure we would win challenges	Limited tolerance for sticking neck out Reasonably sure we would win challenges	Challenge is problematic, but likely to win and gain outweighs adverse consequences	Chances of losing challenge are real with significant consequences Win would be a coup
Innovation, Quality, Outcomes	Innovations avoided unless essential or commonplace Essential systems or technology development only	Prefer status quo and avoid innovation Limited systems or technology development	Innovation supported Routine systems or technology development	Innovation pursued New technologies seen as key enabler of operational delivery
Reputation	No chance for significant repercussions Avoid exposure to attention	Little chance of significant repercussions Mitigation in place for undue interest	Will expose to scrutiny and interest Prospective management of reputation	Will bring sustained scrutiny New ideas have potential to enhance reputation
Appetite	**Low**	**Moderate**	**High**	**Significant**

DRAFT

The risk is evaluated against the criteria in each of the categories in the matrix and the highest score in the four domains is used.

7 How do we respond to risks?

Once a risk has been identified, the Council need to decide and agree what it is going to do about it. 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.

As a general principal 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.

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 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.

DRAFT

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.

8. Risk Appetite

The HM Treasury defines risk appetite as "*The amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time*".

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.

A Risk Appetite Statement is reviewed annually. This is developed in conjunction with the new Cabinet, the chairs of The Overview and Scrutiny Committee and Audit Committee will also be invited to engage in this process. It is reviewed by The Overview and Scrutiny Committee and endorsed by Council.
The 2015/16 Risk Appetite Statement is given in Appendix 1 to this Risk Policy

9. Risk Registers

The risk registers are a reference document that summarise the different risks that might occur and impact the Council. Just because a risk is included on the 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 6 above.

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 Community Strategy.
- Operational Risk Register – includes 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 Team or service managers.

- Partnership Risk Register – includes the risks that might impact on the Council from working with partners and is included as part of the annual statements of assurance.
- Programme Risk Register - includes the risks across the Council's programme of Major Projects
- Project Risk Register – provides a register of the risks that if occur have a positive or negative effect on the achievement of the project's objectives.

10. How do we monitor and report risk?

Risk management must be embedded into decision making, Portfolio Plans, business / service planning and performance management arrangements so that it is central to the way the Council works. It contributes to the concept of 'No Surprises', 'Getting it right first time' and 'Having a Plan' which will useful should the unexpected happen.
The framework of monitoring and reporting has been developed using the Council's performance management software; Covalent, which is able to record the risks onto the system with the relevant risk owner having access so that monitoring and updating can take place.

This requires:

- Teams to monitor progress of their plans, as part of the review of performance and spend. Results of this review where a significant change is identified will be included in the exception report submitted for The Overview and Scrutiny. Any issues that may require escalation will be reported initially to the Performance Management Team.
- The Performance Management Team to monitor and review progress against Corporate Risks as part of its quarterly monitoring meeting, making a judgement on any risks referred for escalation and identifying any risks that can be moved to operational risk registers. Results of these reviews will form part of the regular monitoring report submitted to the Audit Committee and reported to Cabinet if decisions on any procedure or policy changes are needed.
- The Audit Committee receives regular monitoring reports that provide assurance that the risks identified on the Corporate Risk Register are being adequately managed. The Audit Committee may decide to receive in-depth reports for the most significant risks on the register or risks that causing concern.

If at any time a risk other than those on the Corporate Risk Register (for example an operational risk) is scored above the risk tolerance line as set out in the Risk

DRAFT

Appetite Statement, full details should be presented to the next Performance Management Team meeting for further consideration and approval of appropriate action if required. This may include escalation to the Corporate Risk Register.

All Council committee reports include a paragraph titled "Risk Management Issues". The purpose of this paragraph is for the author to demonstrate and provide evidence that the risks associated with the content of the report have been properly identified, assessed and evaluated. The paragraph should provide for the most significant risks as much detail as possible, especially in relation to the underlying causes of the risk and its subsequent consequences. Reference should also be made to the Council's Impact Score Matrix (diagram 2) to support decision making.
When taking decisions, the identified risks should be considered against the Council's Risk Appetite which sets out the amount and type of risk that the Council is prepared to seek, accept or tolerate.

11. Timetable

Risk management is an integral part of corporate governance, and is in particular closely linked with performance management. Therefore the timetable for risk management follows that of the performance management framework.

Month	Who?	What?
March	Performance Management Team	• Review of risks on Corporate Risk Register and update as required.
June/July	Corporate Governance Group	• Consideration of annual Statements of Assurance completed by Head of Teams. • Consideration of Annual Governance Statement emerging issues.
	Cabinet	• Approval of updated Risk Policy for the forthcoming year. • Approval of Risk Appetite for forthcoming year. • Approval of Corporate Risk Register.
	The Overview and Scrutiny Committee	• Note the Risk Policy and the role that the Committee has in monitoring and managing risks.
	Audit Committee	• Review the Corporate Risk Register and agree the risks for future in-depth reporting and assurance.
	Performance Management Team	• Quarterly review of Corporate Risk Register.
October	Audit Committee	• Review the risks included in the Corporate Risk Register and receive

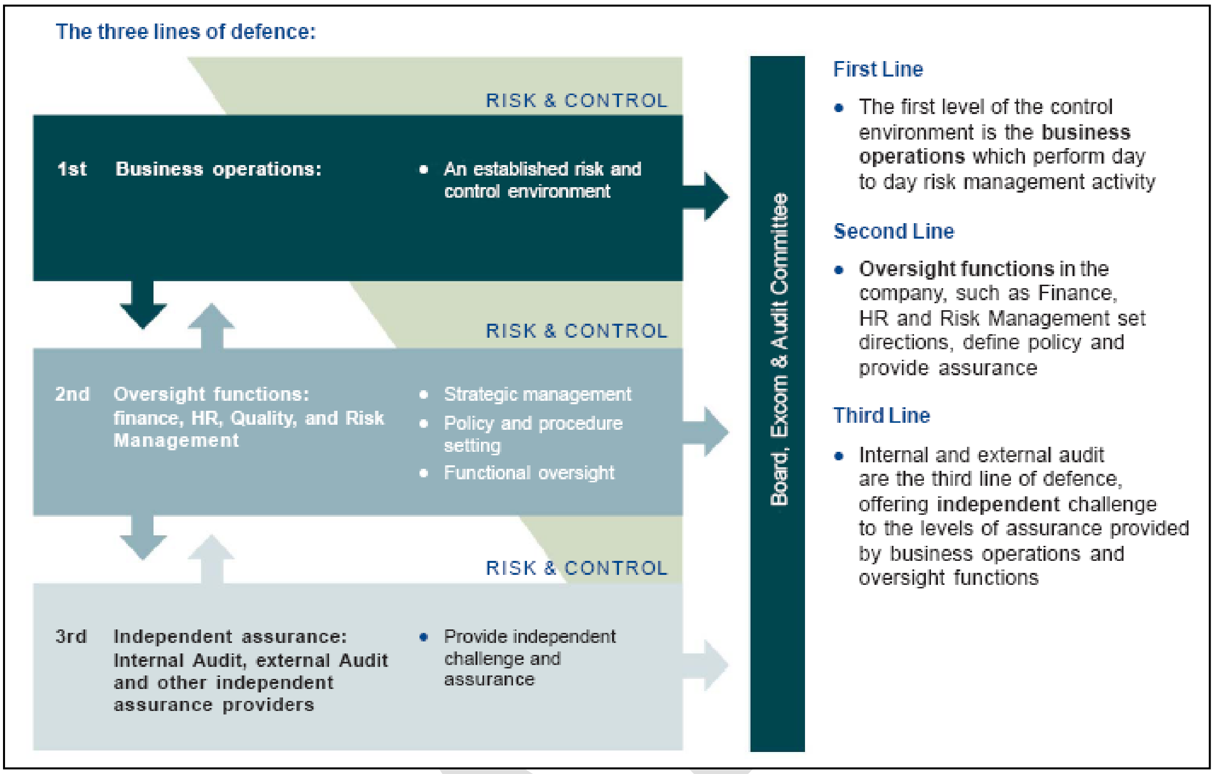
Month	Who?	What?
		monitoring report giving details of the progress made against the actions to treat the risks. • In-depth update for significant corporate risks.
	Performance Management Team	• Quarterly review of Corporate Risk Register.
December	Audit Committee	• Receive update report for Corporate Risk Register.
January	Performance Management Team	• Quarterly review of Corporate Risk Register. • Budget and Portfolio Plan risks considered
March	Audit Committee	• Receive update report for Corporate Risk Register.
	Performance Management Team	• Review risks included on Corporate Risk Register for 2015/16 • Review and update Risk Policy for 2016

12. Risk Management roles and responsibilities

The three lines of defence 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.

The following table is an example of the three lines of defence concept.

Example: Three line of defence model



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First line of defence:
As the first line of defence, Heads of Team or service managers own and manage risks within their service area. They are also responsible for implementing appropriate corrective action to address, process and control weaknesses.
Heads of Team are also responsible for maintaining effective internal controls and managing risk on a day to day basis. They identify, assess, control and manage risks ensuring that their services are delivered in accordance with the Council's aims and objectives.

Second line of defence:
The second line of defence relates to the Strategic direction, policies and procedures provided by the Council's oversight functions (e.g. Finance, Legal Services and HR). These teams are responsible for designing policies, setting direction, ensuring compliance and providing assurance.

Third line of defence:
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.

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.

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

Specific Responsibilities

Who	What
Members	Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic objectives and risks that the Council faces, and will be made aware of how these risks are being managed.
Cabinet	• To ensure that effective arrangements are in place throughout the Council and these are kept up to date, • Approving the Council's Risk Management Statement, • Monitoring the Council's risk management and internal control arrangements via an exception reporting process, • Ensuring the effectiveness of the risk management and internal control framework.
The Overview and Scrutiny Committee	To have an overview of performance and use of resources in respect of the identification of risks and monitoring action taken to mitigate those risks.
Audit Committee	The Audit Committee's role is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance, and to monitor the effective development and operation of risk management and corporate governance in the Council.
Corporate Management Team	The Corporate Management Team (CMT) is pivotal in promoting effective risk management and ensuring that it is embedded in the culture of the Council. The key responsibilities for the Chief Executive and CMT are: • Promoting the implementation of the Council's risk management arrangements on a corporate basis.

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Who	What
	• Supporting and promoting the benefits of effective risk management throughout the Council. • Supporting the identification and assessment of risk on an ongoing basis.
Performance Management Team	Annually review the Corporate Risks to be presented to Cabinet. Monitor the corporate risk register on a quarterly basis, and consider any operational risks which are escalated to the group by a member of PMT.
Corporate Governance Group	Ensure Council compliance and efficacy of risk management arrangements, underpinning the Council's performance and management framework, particularly in respect of the Annual Governance Statement. The Group will ensure that risk management processes and procedures are in place that underpin the Council's performance and management framework and will monitor their compliance, including assisting Performance Management Team in populating the Risk Register.
Senior Managers	Heads of Teams have responsibility for minimising risk within their teams. They will demonstrate their commitment to risk management through: • Being actively involved in the identification and assessment of risks, • Developing relevant action plans for the key risks and establishing relevant performance indicators to measure their performance through the performance management framework, • Incorporating the risk management process into business/service planning processes, • Monitoring the Teams' risks regularly and on no less than a quarterly basis, • Encouraging staff to be open and honest in

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Who	What
	identifying risks or potential opportunities, • Ensuring that the risk management process is part of all major projects and change management initiatives, • Monitoring and reviewing action plans regularly to effectively treat risks.
Risk and Insurance Advisor	• Provide technical risk management support and advice across the Council. • Facilitate and support the procurement of the Council's insurance programme and the management of claims.
Corporate Business Manager	• Provide risk management support across the Council, • Provide assistance with and prepare management reports, • Support the Performance Management Team and Corporate Business Manager on risk related issues.
All staff	All staff have the responsibility for Council risks and must understand their role in the Council's risk management arrangements. Training and support is provided at the staff induction and ongoing training throughout the year. All staff are expected to know how to recognise, assess and evaluate risk, when to accept risk and to recognise that risks can create opportunities for the Council.
Southern Internal Audit Partnership	The role of the Southern Internal Audit Partnership who act as the Council's Internal Auditors is that of an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It will be responsible for undertaking an assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

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Everyone involved in risk management has a responsibility to identify learning from risks and their management.

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Risk Appetite Statement 2015

Introduction

This Risk Appetite Statement is an integral part of the Council's Risk Management Policy 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.

This statement will be reviewed annually and approved by Cabinet before the start of each municipal year. The approved statement will be included as an appendix to the Risk Policy. 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 risk appetite of the Council can be defined as "*the amount and type of risk that an organisation is prepared to seek, accept or tolerate*" (Source: British Standard on Risk Management BS31100 2008).

Risk management is about 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 unforeseen problems and take advantage of opportunities that arise.

The Council's Risk Appetite 2015/16

The Council during the course of year will take fair, measured and targeted levels of risk to achieve the priority objectives included in the Community 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.

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.

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

The Council's appetite for its significant risks included in the Corporate Risk Register is shown in the diagram below in bold.

Risk levels and description Key elements	Minimal As little risk as reasonably possible	Cautious Prefer safe delivery options	Open Consider all potential options	Seek Eager to be innovative
Financial/VFM	Very limited financial loss if essential (up to £100,000) VfM (focusing on economy) is primary concern	Some limited financial loss (from £100,000 to £500,000) Consider benefits and constraints beyond price	**Will invest and risk losing (from £500,000 up to £2m) for potential return** **Value and benefits considered, not just cheapest price**	Invest and risk losing (from £2m up to £5m) for best possible return Resources allocated without firm guarantee of return
Compliance, regulatory	Be very sure we would win challenges	**Limited tolerance for sticking neck out** **Reasonably sure we would win challenges**	Challenge is problematic, but likely to win and gain outweighs adverse consequences	Chances of losing challenge are real with significant consequences Win would be a coup
Innovation, Quality, Outcomes	Innovations avoided unless essential or commonplace Essential systems or technology development only	Prefer status quo and avoid innovation Limited systems or technology development	**Innovation supported** **Routine systems or technology development**	Innovation pursued New technologies seen as key enabler of operational delivery
Reputation	No chance for significant repercussions Avoid exposure to attention	Little chance of significant repercussions Mitigation in place for undue interest	**Will expose to scrutiny and interest** **Prospective management of reputation**	Will bring sustained scrutiny New ideas have potential to enhance reputation
Appetite	Low	Moderate	High	Significant

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Corporate Risk Register

Significant risks have been reviewed by the Performance Management Team and the first table below gives details of the risks to be included on the Corporate Risk Register for 2015/16. The second table shows those risks that were also included on the Register for 2014/15 and the emerging issues included in the draft Annual Governance Statement elsewhere on this Committee's agenda (report AUD117 refers).

Table 1

Corporate Risks 2015	
Risk	**Brief Description**
Silver Hill Development	Includes the risks that the regeneration of the Silver Hill area is substantially delayed by the need to restart a design and development and failure to deliver affordable housing
Asset Management	Includes the risks that the Asset Management Plan is not fit for purpose or not adequately funded to enable the Council to properly manage its property portfolio.
Programme Management and Major Projects	Risks include insufficient or inefficient use of skills and resources to enable progress of the Council's programmes and major projects to continue to schedule. Also includes the risk of failing to properly consult and engage with stakeholders relating to major projects.
Governance and Control Weaknesses	Includes the risk of weak or ineffective governance and control arrangements at the Council that could lead to a potential loss or reputational damage.
Financial Stability	Unpredictable or unforeseen changes that affect the Council's financial position, including reductions in income and reserves balances and the ability to set a balanced budget.
Staff Engagement	Risks include increases in staff turnover which could lead to a reduction in productivity and objectives and targets not being met
Environmental Risks	Includes the following risks, impact from adverse weather conditions and climate change.
Commissioning	Under this heading, the following risks are included; shared working arrangements and partnership working
Transformation	Risks associated with the Council's Transformation programme.

AUD118
APPENDIX 3

Table 2

Ref	Corporate Risk/AGS Emerging Issue	2015/16 Risk Register	2014/15 Risk Register	Annual Governance Statement	Notes
CR5002	Silver Hill Development	✓	✓	✓	To remain on corporate risk register
CR5003	Asset Management	✓	✓	✓	To remain on corporate risk register
CR5007	Programme Management & Major Projects	✓	✓		To include project management for 15/16
CR5011	Governance and Control Weaknesses	✓	✓		Combined with Governance arrangements
New	Financial Sustainability	✓			Includes former risk – Financial Strategy and combines all other financial risks for the Council
New	Staff Engagement	✓			Combines the following issues identified in the AGS: • develop a flexible, responsive workforce • recruitment and retention
New	Environmental risks	✓			Includes the risk; climate change but has been expanded to include, adverse weather and flooding.
New	Commissioning	✓			Includes the risks; shared services and partnership working
New	Transformation	✓			Included to reflect the risk of undertaking new models of service delivery as part of the Council's approach to supporting the medium term budget.
CR5001	Climate Change		✓		Included with wider environmental risks (see above)
CR5004	Financial Strategy		✓	✓	Included within new risk for financial sustainability (see above)

AUD118
APPENDIX 3

Ref	Corporate Risk/AGS Emerging Issue	2015/16 Risk Register	2014/15 Risk Register	Annual Governance Statement	Notes
CR5006	Develop a flexible, responsive workforce		✓	✓	Included within new risk for Staff Engagement (see above)
CR5009	Business Continuity		✓		Robust disaster recovery plans in place and no longer considered to be a significant risk to the Council.
CR5012	Shared Services		✓		Included within new risk above for commissioning
CR5014	LDF & Local Plan		✓		LDF Part 1 now in place and no longer to be considered a significant risk to the Council
CR5015	Changes to governance arrangements		✓	✓	Combined with Control Weaknesses (CR5011)
CR5016	Treasury Management		✓		Included within new risk for financial sustainability
CR5018	Performance Management		✓	✓	Includes risk management in the AGS
AGS	Partnership Arrangements			✓	Included within risk for commissioning
AGS	Recruitment and Retention			✓	Included within new risk for Staff Engagement (see above)
AGS	Consultation and Engagement			✓	Risks considered as part of individual major projects
AGS	River Park Leisure Centre			✓	Included on Risk Register under Asset Management
AGS	City Offices			✓	Included on Risk Register under Asset Management
AGS	Procurement & Contract Management			✓	Included in the Annual Governance Statement for 2014/15

The table below shows the proposed template for monitoring each of the risks that appear on the Corporate Risk Register. It has been partly completed, in view of time constraints, for the Asset Management corporate risk. The template will be populated for the other risks included on the Corporate Risk Register to be reviewed by Members at the next meeting of the Audit Committee.

Table 3

Risk Ref: CR6	**Risk Score 2015**: Likelihood= tba Impact = tba	**Previous Score**: Likelihood = Probable Impact = Major	**Risk Owner:** Chief Operating Officer

Risk Title: Asset Management

1. What might go wrong?	2. What will happen?	3. What do we do about it	Likelihood	Impact	Current Risk Rating
• Asset Management Plan not maintained • Loss of key staff • Lack of capacity • Lack of inspection • Lack of financial resources • Lack of regular maintenance • Incorrect maintenance • Lack of capital investment	• Assets falling into disrepair • Lower capital value of assets • Increased maintenance costs (planned and reactive) • Increase in insurance claims against the Council • Reduced income streams and under performance against revenue targets • Under utilised property portfolio • Legal or compensation claims, re: duty of care • Poor image of dilapidated property • Increased health and safety risk	• Up to date Asset Management Plan • Planned preventative maintenance schedule • Regular inspection and maintenance contracts • Asset Management Group (?) meets regularly	Likely	Major	

4. What more do we need to do?	Comments	Target Date	Completed Date	Responsible Officer
Actions include: • Complete actions in line with Asset Management Plan				

• Identify budget for actions in Plan • Update Asset Management Plan • Complete annual survey • Ensure maintenance contracts are in place where required • Ensure all inspections are recorded including when no defects are found • Business Continuity Plan should be fully tested and annually reviewed				