

REPORT TITLE: RISK MANAGEMENT POLICY 2017

26 APRIL 2017

REPORT OF PORTFOLIO HOLDER: CLLR GODFREY, PORTFOLIO HOLDER FOR FINANCE

Contact Officer: Joseph Holmes Tel No: 01962 848 220

Email [jholmes@winchester.gov.uk](mailto:jholmes@winchester.gov.uk)

WARD(S): GENERAL

PURPOSE

This report presents the updated Risk Management Policy 2017 which defines the Council's arrangements for managing Council risks and its integration with corporate governance and performance management.

RECOMMENDATIONS:

That Cabinet approve the Risk Management Policy 2017, its Risk Appetite Statement for 2017/18 and the Corporate Risk Register.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 Effective use of risk management supports the Council manage threats and opportunities to achieve the aims and objectives included in the Council Strategy.
- 1.2 Included in the updated Policy is the revised Risk Appetite Statement for the Council that set outs a clear shift in the Cabinet's approach to risk.

2. FINANCIAL IMPLICATIONS

- 2.1 None directly, however where there is an expected increase in risk, additional costs may be required to properly manage those risks and would need to be identified in the relevant business case.

3. LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None identified.

4. WORKFORCE IMPLICATIONS

- 4.1 None identified

5. PROPERTY AND ASSET IMPLICATIONS

- 5.1 None directly.

6. CONSULTATION AND COMMUNICATION

- 6.1 Cabinet members have been consulted on the contents of the Risk Management Policy and input into the Risk Appetite Statement.

7. ENVIRONMENTAL CONSIDERATIONS

- 7.1 None.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 None required.

9. RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Reputation – ensuring the Council has in place robust arrangements to manage its risks</i>	This report sets out the principles for the Council to manage its risks	A robust Risk Management Policy supports the Council to identify and manage its risks in a consistent way.

## 10. SUPPORTING INFORMATION:

- 10.1 This report is the updated Risk Management Policy for 2017/18 which sets out the Council's approach to risk management and in detail the arrangements for managing risk. This Policy forms part of the Governance and Performance Management arrangements at the Council.
- 10.2 The Policy sets out the framework for identifying the significant risks that are 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.
- 10.3 The Council evaluates its risks using 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. A score for each risk is calculated using the four by four matrix with the lowest score being one and the highest sixteen.
- 10.4 Included with the Policy is the Council's Corporate Risk Register, which includes the risks that are of greatest significance to the Council in the context of the aims and objectives that are set out in the Council Strategy. These will be refreshed on a quarterly basis.
- 10.5 Regular updates are reported to Audit Committee on the progress of the management actions in place to manage or mitigate the risks.
- 10.6 The Policy also includes the Council's Risk Appetite, which sets out the amount of risk the Council is prepared to take 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.
- 10.7 Following a Risk Appetite workshop held with Cabinet members in March 2017, the risk appetite for the Council has been reviewed and updated.
- 10.8 The following table provides a summary of the amount of risk under each of the key elements that the Council is prepared to take.

Key Element	Risk Level
Financial / Value for Money	Open – will consider all potential options
Exposure to Challenge	Open – will consider all potential options
Innovation, Quality, Outcomes	Seek – eager to be innovative
Reputation	Open – will consider all potential options

- 10.9 The summary risk appetite based on the risk levels shown above is that the Council has a high risk appetite.

- 10.10 The updated Risk Appetite recognises the focus and emphasis of the recently adopted Council Strategy 2017-20 and the five strategic outcomes that we want to achieve in the coming years.
- 10.11 For this reason there has been a shift in two of the key elements in the Risk Appetite Statement and these are; Exposure to Challenge and Innovation (from cautious to open), Quality and Outcomes (from open to seek – eager to be innovative).
- 10.12 Following the review of the Risk Appetite, the Cabinet has agreed that the Council should be open to challenge and consider all potential options, ensuring that the necessary processes are in place to manage and win challenges when they arise. Cabinet seeks assurance that arising from challenge, the gain to the Council should outweigh any adverse consequences.
- 10.13 The Risk Appetite has also been updated to recognise that the Council is eager to seek innovative and new ways of working rather than being open to exploring new technology and new ideas. The Council is keen to actively pursue new technology and how this can improve ways of working.

#### 11. OTHER OPTIONS CONSIDERED AND REJECTED

- 11.1 None – the report provides details of the arrangements for managing risks as set out in the Risk Management Policy.

#### BACKGROUND DOCUMENTS:-

##### Previous Committee Reports:-

[AUD156](#) – Risk Management Policy 2016

##### Other Background Documents:-

None

#### APPENDICES:

Appendix 1 Risk Management Policy 2017



# **Risk Management Policy**

**2017**

## 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 methodology. 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 actively supports 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.

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:

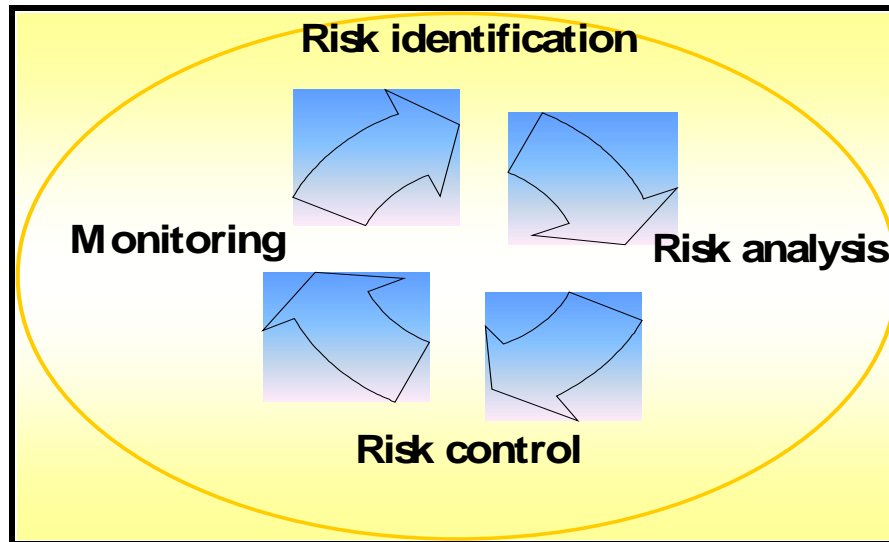
- A Risk Assessment Tool (section 4)
- Details of how risk management supports corporate planning and operational management (section 5)
- Risk appetite statement (section 8)
- Monitoring and review arrangements (section 10)
- A timetable linked to corporate programme (section 11)

### **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.

## Risk Assessment Tool



When identifying risks, it can be helpful to use the following sources of risk as prompts to ensure that all areas of risk are considered

Sources of Risk	Risk Examples
Infrastructure	Functioning of transport, communications and utilities infrastructure. The impact of storms, floods and pollution.
Politics & Law	Effects of change of government policy, UK or EC legislation, national or local political or control, meeting the administration's manifesto commitments. Issues of timing. Following the organisation's stated/agreed policy. Legality of operations
Social Factors	Effects of changes in demographic, residential and social trends on ability to deliver objectives.
Technology	Capacity to deal with obsolescence and innovation, product reliability, development and adaptability or ability to use technology to address changing demands.
Competition & markets	Affecting the competitiveness (cost and quality) of the service and/or ability to deliver value for money and general market effectiveness
Customer & Stakeholder – related	Satisfaction of: citizens, users, central and regional government and other stakeholders. Managing expectations – consulting & communication on difficult issues
Sustainability / Environmental	Environmental consequences arising from option (e.g. in terms of energy efficiency, pollution, recycling emissions etc.) [A more detailed examination is included in the Comprehensive Impact Appraisal tool.]



Sources of Risk	Risk Examples
Finance	Costs, long term financial sustainability/ reliance on finite or vulnerable funding streams. Financial control, fraud and corruption.
People management & human resources	Managing changes to services that may affect staff and/or ways of working. Resourcing the implementation of the option. Employment issues (TUPE etc.), Maintaining effective health & safety of staff and users
Contracts & partnerships	Dependency on or failure of contractors to deliver services or products to the agreed cost and specification. Procurement contract and relationship management. Overall partnership arrangements, e.g. for pooled budgets or community safety. PFI, LSVT and regeneration.
Tangible assets	Security of land and buildings, safety of plant and equipment, control of IT hardware
Reputation	Affecting the public standing of the Council, partnerships, or individuals in it (affecting you). Management of issues that may be contentious with the public or the media.
Professional judgement & activities	Risks inherent in professional work such as assessing clients' welfare or planning or response to the Human Rights Act.

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 Head of Finance 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 Overview and Scrutiny Committee review risk assessments for all major projects.
- Managers are 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, 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 reviews the Programme Risk Register and 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 regularly reviewed by the Corporate Governance Group, alongside the Annual Governance Statement and escalates any key issues to Performance Management Team. Performance Management Team also reviews the Corporate Risk Register on an annual basis to assess any emerging risks or risks that should be removed. 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 Strategy reflects the desired shared outcomes for the District, informed by consultation with the public and stakeholders.

The Council 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 Council Strategy. The Council 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, with 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.

## 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.

		I M P A C T			
		Low	Moderate	Major	Significant
L I K E L I H O O D	Highly Likely				
	Likely				
	Unlikely				
	Highly Unlikely				

**Impact Rating**

Diag. 1

The following table provides the definitions which should be used when determining whether a risk would have a Low, Moderate, Major or Significant impact

	Low (1)	Moderate (2)	Major (3)	Significant (4)
Financial	Less than £20K	£20k or over and less than £200K	£200K or over and less than-£2MK	£2M plus
Service Provision	No effect	Slightly Reduced	Service Suspended Short Term / reduced	Service Suspended Long Term Statutory duties not delivered
Health & Safety	Sticking Plaster / first aider	Broken bones/illness Lost time, accident or occupational ill health	Loss of Life/Major illness – Major injury incl broken limbs/hospital admittance. Major ill health	Major loss of life/Large scale major illness
Morale		Some hostile relationship and minor non cooperation	Industrial action	Mass staff leaving/Unable to attract staff
Reputation	No media attention / minor letters	Adverse Local media Leader	Adverse National publicity	Remembered for years
Govt relations	One off single complaint	Poor Assessment(s)	Service taken over temporarily	Service taken over permanently

**Likelihood Rating**

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

## Risk Proximity

The score for risk proximity supports the Council in focusing on certain risks that may occur soon and ignore risks that will not occur in the near future. This enables risk management to be more efficient.

A number of between 1 and 4, where 1 means the risk is about to occur within the next 3 months and 4 means the risk is not likely to occur within the next year is provided.

Risk Proximity Score	Time scale
1	Occurring within the next 3 months
2	Occurring within the next 6 months
3	Occurring within the next 1 year
4	Unlikely to occur within 1 year

## Financial Impact

The financial impact to the Council is an important consideration, however this should be viewed alongside the likelihood of the risk occurring and not assumed to be inevitable.

The scoring of the financial impact relates to the cost to the Council if that risk were to occur, however it should not relate to the cost of managing or mitigating the risk.

The financial impact is scored as highly likely it would be prudent for the Council to ensure that it has set aside an adequate financial provision.

The financial impact is scored as follows:

Financial Impact Score	Time scale
£	£1 – £20,000
££	£20,0001 - £200,000
£££	£200,001 - £2,000,000
££££	£2,000,001 plus

## 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.

### **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*” (Source: British Standard on Risk Management BS31100 2008).

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.

The Council's 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 at 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.

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 2017/18

The Council during the course of year will take fair, measured and targeted levels of risk to achieve the priority objectives included in the Council 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 and highlighted in bold with the relevant cell shaded.

Risk levels and description Key elements	Minimal As little risk as reasonably possible	Cautious Prefer limited delivery options	Open Consider all potential options	Seek Eager to be innovative
<b>Financial/VfM</b>	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	<b>Will invest and risk losing (from £500,000 up to £2m or 10% of value – which ever is the lower of the two) for larger potential financial return</b> <b>Value and benefits considered, not just cheapest price</b>	Invest and risk losing (from £2m up to £5m) for best possible return Resources allocated without firm guarantee of return
<b>Exposure to Challenge</b>	Be very sure we would win challenges	Limited tolerance for sticking neck out Reasonably sure we would win challenges	<b>Challenge is problematic, but takes the necessary steps to manage and win this. Gain outweighs adverse consequences</b>	Chances of losing challenge are real with significant consequences
<b>Innovation, Quality, Outcomes</b>	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 New ways of working or using technology explored.	<b>Innovation pursued</b> <b>Actively seek new ways of working or using new technology</b>
<b>Reputation</b>	No chance for significant repercussions Avoid exposure to attention	Little chance of significant repercussions Mitigation in place for undue interest	<b>Will expose to scrutiny and interest</b> <b>Management of reputation through actively listening and talking</b>	New ideas experimented at the risk of damage to reputation
<b>Appetite</b>	<b>Low</b>	<b>Moderate</b>	<b>High</b>	<b>Significant</b>

## 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 Council 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 be 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 are 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 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.

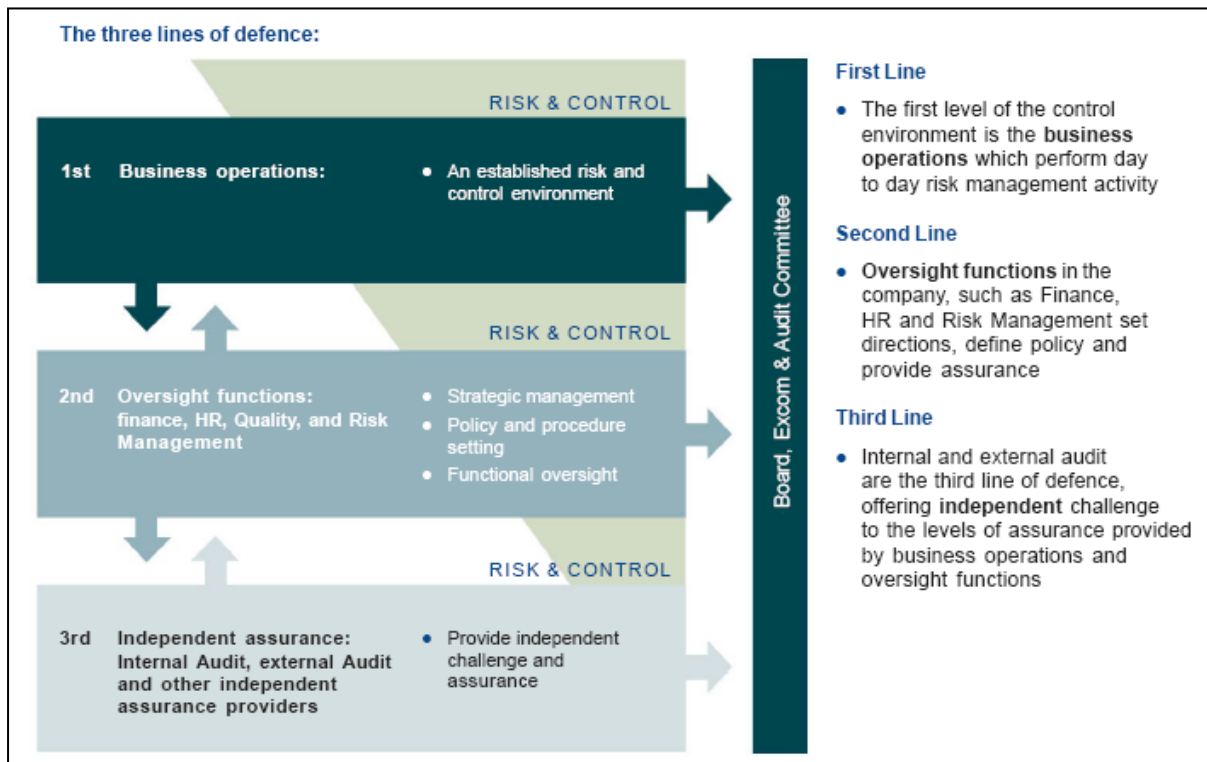
Month	Who?	What?
March	Performance Management Team	<ul style="list-style-type: none"> <li>Review of risks on Corporate Risk Register and update as required.</li> </ul>
June/July	Corporate Governance Group	<ul style="list-style-type: none"> <li>Consideration of annual Statements of Assurance completed by Head of Teams.</li> <li>Consideration of Annual Governance Statement emerging issues.</li> </ul>
	Cabinet	<ul style="list-style-type: none"> <li>Approval of updated Risk Policy for the forthcoming year.</li> <li>Approval of Risk Appetite for forthcoming year.</li> <li>Approval of Corporate Risk Register.</li> </ul>
	The Overview and Scrutiny Committee	<ul style="list-style-type: none"> <li>Note the Risk Policy and the role that the Committee has in monitoring and managing risks.</li> </ul>
	Audit Committee	<ul style="list-style-type: none"> <li>Review the Corporate Risk Register and agree the risks for future in-depth reporting and assurance.</li> </ul>
	Performance Management Team	<ul style="list-style-type: none"> <li>Quarterly review of Corporate Risk Register.</li> </ul>
September/ October	Audit Committee	<ul style="list-style-type: none"> <li>Review the risks included in the Corporate Risk Register and receive monitoring report giving details of the progress made against the actions to treat the risks.</li> <li>In-depth update for significant corporate risks.</li> </ul>
	Performance Management Team	<ul style="list-style-type: none"> <li>Quarterly review of Corporate Risk Register.</li> </ul>
December	Audit Committee	<ul style="list-style-type: none"> <li>Receive update report for Corporate Risk Register.</li> </ul>
January	Performance Management Team	<ul style="list-style-type: none"> <li>Quarterly review of Corporate Risk Register.</li> <li>Budget and Portfolio Plan risks considered</li> </ul>
March	Audit Committee	<ul style="list-style-type: none"> <li>Receive update report for Corporate Risk Register.</li> </ul>
	Performance Management Team	<ul style="list-style-type: none"> <li>Review risks included on Corporate Risk Register for the coming year</li> <li>Review and update Risk Policy</li> </ul>

## 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



### 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**

<b>Who</b>	<b>What</b>
<b>Members</b>	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.
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>• To ensure that effective arrangements are in place throughout the Council and these are kept up to date,</li> <li>• Approving the Council's Risk Management Statement,</li> <li>• Monitoring the Council's risk management and internal control arrangements via an exception reporting process,</li> <li>• Ensuring the effectiveness of the risk management and internal control framework.</li> </ul>
<b>The Overview and Scrutiny Committee</b>	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.
<b>Audit Committee</b>	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.
<b>Corporate Management Team</b>	The Corporate Management Team (CMT) is pivotal in promoting effective risk management and ensuring that it



Who	What
	<p>is embedded in the culture of the Council.</p> <p>The key responsibilities for the Chief Executive and CMT are:</p> <ul style="list-style-type: none"> <li>• Promoting the implementation of the Council's risk management arrangements on a corporate basis.</li> <li>• Supporting and promoting the benefits of effective risk management throughout the Council.</li> <li>• Supporting the identification and assessment of risk on an ongoing basis.</li> </ul>
<b>Performance Management Team</b>	<p>Annually review the Corporate Risks to be presented to Cabinet.</p> <p>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.</p>
<b>Corporate Governance Group</b>	<p>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.</p> <p>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.</p>
<b>Programme Management Group</b>	<p>Regularly reviews the Council's Programme Risk Register, escalating any issues to Performance Management Team</p>
<b>Senior Managers</b>	<p>Heads of Teams have responsibility for minimising risk within their teams. They will demonstrate their commitment to risk management through:</p> <ul style="list-style-type: none"> <li>• Being actively involved in the identification and assessment of risks,</li> <li>• Developing relevant action plans for the key risks and establishing relevant performance indicators to measure their performance through the performance management framework,</li> <li>• Incorporating the risk management process into business/service planning processes,</li> </ul>

Who	What
	<ul style="list-style-type: none"> <li>• Monitoring the Teams' risks regularly and on no less than a quarterly basis,</li> <li>• Encouraging staff to be open and honest in identifying risks or potential opportunities,</li> <li>• Ensuring that the risk management process is part of all major projects and change management initiatives,</li> <li>• Monitoring and reviewing action plans regularly to effectively treat risks.</li> </ul>
<b>Risk and Insurance Advisor</b>	<ul style="list-style-type: none"> <li>• Provide technical risk management support and advice across the Council.</li> <li>• Facilitate and support the procurement of the Council's insurance programme and the management of claims.</li> </ul>
<b>Corporate Business Manager</b>	<ul style="list-style-type: none"> <li>• Provide risk management support across the Council,</li> <li>• Provide assistance with and prepare management reports,</li> <li>• Support the Performance Management Team and Corporate Business Manager on risk related issues.</li> </ul>
<b>All staff</b>	<p>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.</p>
<b>Southern Internal Audit Partnership</b>	<p>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.</p>

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

**Corporate Risk Register**

Significant risks have been reviewed by the Performance Management Team and the table below gives details of the risks to be included on the Corporate Risk Register for 2017/18.

Corporate Risks 2017				
Risk	Brief Description	Likelihood Score	Impact Score	Risk Score
Asset Management	<b>Risk Owner: Kevin Warren</b> 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.	Likely	Significant	12
HRA Finance	<b>Risk Owner: Richard Botham</b> Risks arising from the introduction of The Welfare and Housing and Planning Bills which have both placed additional pressures on the HRA.	Likely	Major	9
Environmental Risks	<b>Risk Owner: Eloise Appleby</b> Includes the following risks, impact from adverse weather conditions and climate change.	Likely	Moderate	6
Data Protection	<b>Risk Owner: Howard Bone</b> Risk of a data breach occurring resulting in a loss or unlawful disclosure of data.	Unlikely	Major	6
Programme Management and Major Projects	<b>Risk Owner: Andy Hickman</b> 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.	Unlikely	Major	6
Transformation	<b>Risk Owner: Alison Gavin</b> Risks associated with the Council's Transformation programme.	Unlikely	Major	6
Financial Stability	<b>Risk Owner: Simon Little</b> 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.	Unlikely	Major	6
Governance and Control Weaknesses	<b>Risk Owner: Joseph Holmes</b> Includes the risk of weak or ineffective governance and control arrangements at the Council that could lead to a potential loss or reputational damage.	Unlikely	Moderate	4
Commissioning	<b>Risk Owner: Eloise Appleby</b> Under this heading, the following risks are included; shared working arrangements and partnership working	Unlikely	Low	2