

REPORT TITLE: RISK MANAGEMENT POLICY 2021/22

10 MARCH 2021

REPORT OF CABINET MEMBER: CLLR CUTLER – DEPUTY LEADER AND  
MEMBER FOR FINANCE AND RISK

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WARD(S): ALL

PURPOSE

This report presents the updated Risk Management Policy 2021/22 which defines the council's arrangements for identifying and managing council risks and its integration with corporate governance and performance management.

There have been updates to the key risks that appear on the Corporate Risk Register and the report seeks consideration and approval of the Risk Appetite Statement for 2021/22.

RECOMMENDATIONS:

1. That Cabinet approve the Risk Management Policy for 2021/22, its Risk Appetite Statement for 2021/22 and the updated Corporate Risk Register.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 Effective use of risk management supports the councils management of threats and opportunities to achieve the priorities included in the Council Plan 2020-25.
- 1.2 Included in this updated Policy is the Risk Appetite Statement for the council which supports members and officers in decision making by setting out where the council is comfortable taking different levels of risk, and which levels are unacceptable.

### 2 FINANCIAL IMPLICATIONS

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

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The council's Risk Management Policy is an important element of the overarching governance framework ensuring that the council has a robust process for evaluating risks as part of the decision making process.
- 3.2 There are no direct legal or procurement issues arising from this report.

### 4 WORKFORCE IMPLICATIONS

- 4.1 Management of risk is an integral part of service delivery. Corporate heads of service are required to review risk with their management teams and specific project risk logs are established and maintained.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 Consultation on the content of the report has been undertaken with cabinet and in particular the Cabinet Member for Finance and Risk. Consultation has also taken place with the chairperson of the Audit and Governance Committee along with Executive Leadership Board (ELB).
- 6.2 The council's Audit and Governance Committee reviewed the draft Risk Management Policy 2021/22 at their meeting on 4 March 2021 and their comments noted by the Cabinet Member for Finance and Risk.

6.3 A joint training session was held with members of the Cabinet and Audit and Governance Committee on 12 November 2020 to support their understanding of risk management and the council's risk appetite

## 7 ENVIRONMENTAL CONSIDERATIONS

8 None directly, however where there is an expected increase in environmental risk probability, additional measures manage those risks would be identified in the relevant business case before being approved.

## 9 EQUALITY IMPACT ASSESSEMENT

9.1 No direct issues arise from the content of the report, although officers will have regard to the considerations as set out in the Equalities Act 2010 and whether an Equality Impact Assessment will be required to be undertaken as required on any specific recommendations or decisions made.

## 10 DATA PROTECTION IMPACT ASSESSMENT

10.1 None required.

## 11 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property</i>	None	None
<i>Community Support</i>	None	None
<i>Timescales</i>	None	None
<i>Project capacity</i>	None	None
<i>Financial / VfM</i>	None	None
<i>Legal – ensuring that the council has risk management in place protects against the policy of change and insufficient procedures</i>	Ensure that the risk management policy is up to date and adhered to.	Identify and mitigate against risk which may enhance the council's reputation
<i>Innovation</i>	None	None
<i>Reputation – ensuring that the council has in place robust arrangements to manage its risks</i>	This report sets out the principles and arrangements for the council to manage its risks	A robust risk management policy supports the council to identify, assess and manage its risks in a consistent and effective way
<i>Other</i>	None	None

## 12 SUPPORTING INFORMATION:

12.1 This report is the updated Risk Management Policy for 2020/21 which sets out the council's approach to risk management and in detail the arrangements for

managing risk. The Policy forms part of the governance and performance management arrangements at the council.

- 12.2 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.
- 12.3 The council evaluates its risks using a four-point scale for the likelihood or probability of the risk occurring and the impact caused should the risk occur. These are rated between low and significant. A score for each risk is then calculated using the four by four matrix with the lowest score being one and the highest sixteen.
- 12.4 Included as an appendix to 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 Plan 2020-25. These risks are regularly reviewed by ELB.
- 12.5 A review of the current public sector landscape was undertaken and the corporate risks for 2021/22 are currently considered to be:
- Capacity to deliver services
  - Ensuring decisions are made on customer insight and engagement
  - The need to ensure effective business continuity plans (including in response to a pandemic)
  - The need to maintain effective strategic partnerships
  - The need to ensure financial resilience
  - A focus on strategic planning for housing
  - Protection against digital attacks through effective cyber security
  - Responding to the Climate Emergency
- 12.6 More details of the causes, consequences and impacts of the corporate risks occurring are included in the Policy and these have been reviewed and updated in the register for 2021/22.
- 12.7 Regular updates are reported to Audit and Governance Committee on the progress of the management actions in place to manage and/or mitigate the risks.
- 12.8 The Policy also includes the council's risk appetite statement, which sets out the amount of risk the council is prepared to take but also make the most of opportunities and innovation when they arise. Further detail on the risk appetite is included in section 8 of the Risk Management Policy.
- 12.9 COVID-19

- 12.10 This policy has been reviewed during the COVID-19 pandemic and to note is that the Corporate Risk Register includes the risks of staff capacity, financial viability, business continuity and cyber security all of which are the potential to be significantly affected by COVID-19.
- 12.11 The council's business continuity plans were all reviewed and updated during early March 2020 ensuring that robust plans were in place to enable the council to continue to provide its services to residents, stakeholders and businesses during the pandemic. As part of the annual cycle, business continuity plans are being reviewed in March 2021.
- 12.12 A review of the council's business continuity framework by internal audit was carried out during June/July 2020 to provide the opportunity for an independent review of the plans and highlight any areas that could be improved, particularly being mindful and in readiness should there be a second wave of the pandemic, which of course has now happened. The audit offered a substantial assurance, the highest available.
- 12.13 Areas assessed to be working well/ control are effective
- A clear command and control structure is in place leading the council's response to the COVID-19 pandemic. Audit testing confirmed that the council's Gold Command Group was stood up on 2 March 2020, ahead of the nationwide restrictions, which enabled preparations for council services to be maintained. The various council command groups hold regular meetings and action points from these meetings are recorded, assigned to relevant officers, and monitored through to completion.
  - A COVID-19 specific response plan was initiated in March 2020 as a framework to manage the continuous delivery of key council services during the first nationwide lockdown.
  - Testing of the council's ICT capabilities was undertaken in March 2020 and this ensured that all council services and systems were adequately supported and prepared prior to the establishment of enforced social distancing requiring council staff to work from home.
  - Service managers identified single points of failure within their relevant services following a directive from the Strategic Director – Services to complete a short assessment in anticipation of potential for homeworking by staff. This enabled staff reallocation to areas where the need had been identified and to maintain services.
  - The council's Business Continuity and Crisis Management Plans, in place since 2017, were reviewed in July 2020 to include new council services identified as critical. This followed work with HCC on improving key elements of the business continuity framework.

- Business impact analysis completed by the Policy and Performance Team, identified 13 critical services to be prioritised for recovery if they become unavailable. Standard proformas were used ensuring relevant details were captured. The Policy and Performance Team, working together with service leads, have reviewed and updated the various critical functions plans to incorporate the COVID-19 response plans. Responsibility for maintenance and update of the critical function plans have been appropriately assigned. Copies of the plans are kept on Resilience Direct to ensure accessibility outside council offices and IT systems.
- Regular meetings have been held between the council and key suppliers and contractors. These key suppliers and contractors provide the council with daily updates on their staffing resources to aid in identifying any risk of non-delivery. Business continuity plans from key suppliers and contractors were also obtained to gain assurance that these critical services could continue to be delivered throughout the nationwide restrictions.
- The GOLD Command Group, which includes the Strategic Director – Services monitors daily service demand and service availability to ensure the impact of the COVID-19 pandemic on council services is identified and appropriate measures implemented to sustain service delivery. In addition, service managers complete a daily register setting out team attendance to ensure any capacity issues are identified and resolved quickly.
- Council staff are provided with regular updates on business continuity and guidance on working from home via a weekly roundup email. An all staff briefing held on 30 June 2020 was also used to provide an update on the council's future ways of working by the Chief Executive.
- There is a Local Resilience Forum Recovery Plan, providing a framework for recovery, and the council has also established a local recovery plan. A draft was included in the cabinet report CAB3244 in May 2020.
- The council is working closely with its partners through the community impact assessment completed for each council service area relating to issues arising from COVID19, which identifies impacts on implementation of the restoration plans. Oversight of this process is through the Restoration and Recovery Group.
- An update on the council response to the pandemic and plans for recovery has been provided to all members during Members Briefing and to the various parishes during the Local Council Briefing all in June 2020.
- There is a lessons learnt document in place which captures learning points identified because of the COVID-19 pandemic as well as actions taken which are deemed to have worked well. There are plans to incorporate these points into the business continuity plans during the annual reviews.

Areas where the framework of governance, risk management and control could be improved

- None identified

13 OTHER OPTIONS CONSIDERED AND REJECTED

13.1 None, the report provides details of the arrangements for managing risk as set out in the Risk Management Policy.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3176 Risk Management Policy 2019

Other Background Documents:-

None

APPENDICES:

Appendix 1 Risk Management Policy 2021/22



**Winchester**  
City Council

# **Risk Management Policy**

**2021/22**





## 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 that the council is 'risk aware'. This entails being 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 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 and project 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 the Council Plan 2020-25.

**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. Our 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 priorities 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. 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:

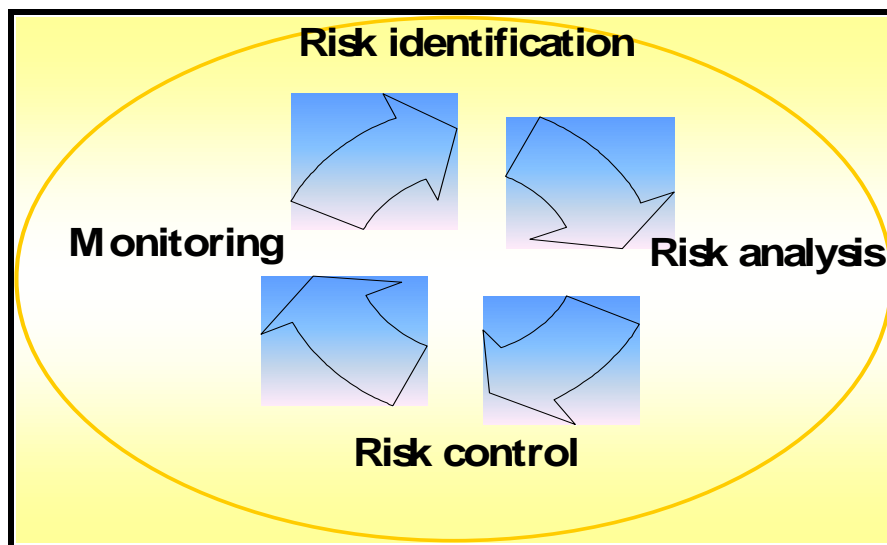
- A Risk Assessment Tool (section 4)
- Details of how risk management supports corporate planning and operational management (section 5)
- Risk appetite statement (section 8)
- Monitoring and review arrangements (section 10)
- A timetable linked to corporate programme (section 11)

### **4. Risk Assessment Tool**

#### **The Principles**

The 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 legislation (where applicable), 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
Pandemic flu	Social and financial impact to the population and businesses due to the outbreak of a pandemic flu
Social Factors	Effects of changes in demographic, residential and social trends on ability to deliver objectives.
Technological	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

Sources of Risk	Risk Examples
Sustainability / Environmental	Environmental consequences arising from option (e.g. in terms of energy efficiency, pollution, recycling emissions etc.)
Financial	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, 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 to adequately 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 approvals 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.
- Unnecessary bureaucracy should be avoided, 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 (SIAP) work with the Strategic Director: Resources and ELB to consider the council's assurance needs, and makes its own assessment of the internal audit work required to provide this assurance.
- 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.

It is the responsibility of all staff 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 Strategic Leadership Team. The Programme Management and Capital Strategy (PAC) Board review 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 ELB.

### **Identification of risks**

ELB regularly reviews the Corporate Risk Register and decides if any risks need to be escalated to the Corporate Risk Register on a regular basis to assess any emerging risks or risks that should be removed. Risk owners for corporate risks are generally a member of ELB. This risk register is included with the Risk Management Policy and formally agreed by cabinet. Audit and Governance Committee reviews the risks and policy to make comments to cabinet on the efficacy of the arrangements for managing risk at the council.

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 management methodology is based on best practice frameworks including PRINCE2 and the Association of Project Management (APM). 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. Tier 1 project risks are reviewed regularly by the Programme and Capital Board.

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 council delivers good governance. Underpinning the statement are the individual statements of assurance which are completed by each service lead 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 service leads to refer to 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 Plan reflects the desired outcomes for the district, informed by consultation with the public and stakeholders and sets out the priority outcomes for the council and identifies the important issues that will be addressed over the life of the Plan through the work of the council and its partners. During the lifetime of the Plan there will be direct and indirect threats to the achievement of the outcomes and these are risks that must be properly managed.

b) As part of the annual planning process each team considers the key actions to be taken and targets for performance and corporate heads of service prepare strategic service plans for their areas. 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) All staff have 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 Council Plan outcomes, 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 Council Plan actions, performance trends and risks. Where appropriate, exceptions are reported to the ELB for consideration and agreement of corrective action, if required.
- ELB also keep an overview of financial plans, with service performance and emerging risks with corporate risks being reviewed quarterly.
- The Scrutiny Committee receives quarterly reports that provide an update on the progress achieved against the actions included in the Council Plan 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.

		IMPACT			
		Low	Moderate	Major	Significant
LIKELIHOOD	Highly Likely				
	Likely				
	Unlikely				
	Highly Unlikely				

### Impact Rating

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	No effect	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

## 7 How 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 its 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 its 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 annually. . The approved statement will be included as an appendix to the Risk Management Policy. The council may decide to move the appetite 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.

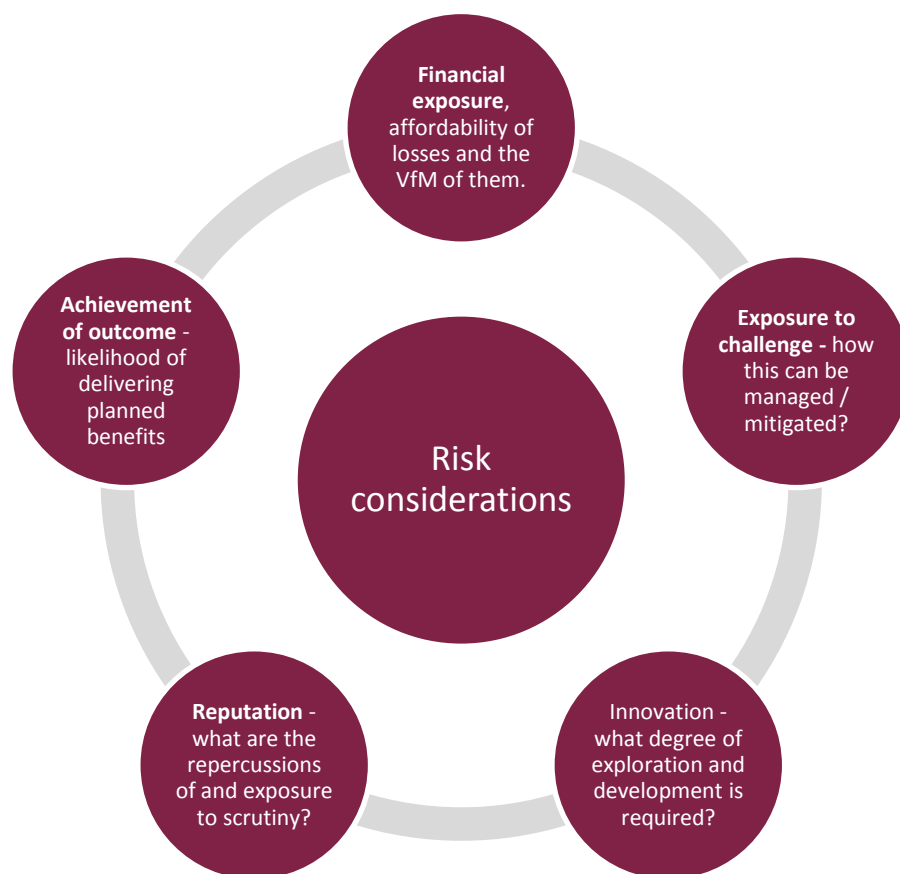
Risk management is about being ‘risk aware’. Risk is ever present in everything that we do and some risk taking is inevitable if the council is to achieve its objectives. Risk management is about making the most of opportunities when they arise and

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 2021/22

The council will take fair, measured and targeted levels of risk to achieve the priority objectives included in the Council Plan. 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.

When analysing the risk associated with decisions, the council considers the parameters around five key areas of risk, illustrated in the following diagram.



The Risk Appetite Statement supports members and officers in decision making by setting out where the cabinet 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.

The council's current overall risk appetite is defined as MODERATE (see table below for definitions). This means the council remains open to innovative ways of working and to pursue options that offer potentially substantial rewards, despite also having greater level of risks. However, the council's preference is for safe delivery options which have a lower degree of risk, especially for those services required by statute.

Risk Appetite Definitions	
<b>Avoid</b>	No appetite. Not prepared to take risk.
<b>Adverse</b>	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
<b>Cautious</b>	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
<b>Moderate</b>	Tending always towards exposure to only modest levels of risk in order to achieve acceptable outcomes.
<b>Open</b>	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
<b>Hungry</b>	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

Risk appetite is not a single, fixed concept and there will be a range of appetites for different risks which may vary over time. The council's risk appetite by corporate priority and guiding principles are set out below.

Council Plan Priority	Risk Appetite	
<b>Tackling the climate emergency</b>	Moderate	Maintaining good levels of standards we tend towards exposure to modest levels of risk in order to achieve acceptable outcomes.
<b>Homes for all</b>	Open	We invest when there is a good likelihood of return and opportunities to grow, choosing innovative options in order to deliver a significant contribution.
<b>Living well</b>	Moderate	Often working with partners we will continue to encourage and deliver; usually taking moderate to low risk options.
<b>Vibrant local economy</b>	Moderate	Promoting and supporting opportunities we tend towards exposure to modest levels of risk in order to achieve satisfactory outcomes.
<b>Your services, your voice</b>	Cautious	It is important the council is getting its best from available resources whilst ensuring long term sustainability. We will seek best use of our resources, and generation of alternative funding in order to protect services.

## 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 Plan.
- 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 Leads.
- 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 we monitor and report risk**

Risk management must be embedded into decision making, business 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; Pentana, 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:

- ELB monitors and reviews 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 and Governance Committee and reported to cabinet if decisions on any procedure or policy changes are needed.
- The Audit and Governance Committee receives regular monitoring reports that provide assurance that the risks identified on the Corporate Risk Register are being adequately managed. The Audit and Governance 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 ELB 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.

When	Who?	What?
Summer	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>
	Audit and Governance 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>
	Executive Leadership Board	<ul style="list-style-type: none"> <li>Quarterly review of Corporate Risk Register.</li> </ul>
Autumn	Audit and Governance 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>
	Executive Leadership Board	<ul style="list-style-type: none"> <li>Quarterly review of Corporate Risk Register.</li> </ul>

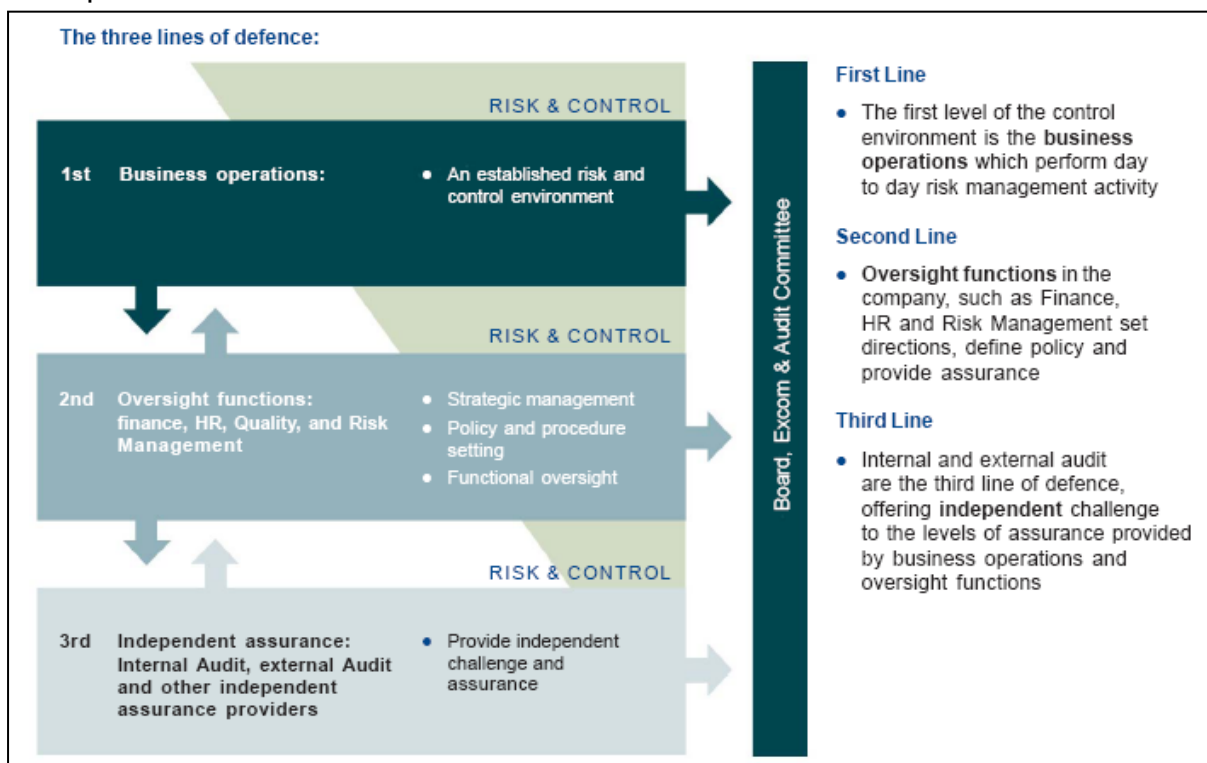
When	Who?	What?
Throughout the year	Audit and Governance Committee	<ul style="list-style-type: none"> <li>Receives update report for Corporate Risk Register.</li> <li>Review risks included on Corporate Risk Register for the coming year</li> <li>Review and update Risk Policy.</li> </ul>
Winter	Executive Leadership Board	<ul style="list-style-type: none"> <li>Quarterly review of Corporate Risk Register.</li> <li>Budget and Service Plan risks considered.</li> </ul>
	Audit and Governance Committee	<ul style="list-style-type: none"> <li>Receive update report for Corporate Risk Register.</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, Service Lead 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.

Service Leads 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, Procurement and HR). These teams are responsible for designing policies, setting direction, ensuring compliance and providing assurance.

Included within the Anti-Fraud and Corruption Policy is the council's Whistleblowing Policy which encourages staff to report concerns which may expose the council to risk.

### **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 council 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.

### **S151 Officer:**

In addition to the 3 main lines of defence, there is the role of the S151 Officer.



CIPFA outlines one element of the role as, “demonstrates integrity by being based on robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks”

### Specific Responsibilities

Who	What
<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>Audit and Governance Committee</b>	The Audit and Governance 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>Executive Leadership Board (ELB)</b>	<p>ELB 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, S151 officer and ELB 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> <li>• Annually review the Corporate Risks to be presented to Cabinet</li> </ul>
<b>Programme and Capital (PAC) Board</b>	Regularly reviews the council’s tier 1 project risk registers
<b>Corporate Heads of Service, Service Leads and Senior</b>	Senior managers have responsibility for minimising risk within their teams. They will demonstrate their

Who	What
<b>Managers</b>	<p>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> <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>• Ensuring that the risk management process is part of all major procurements and contract management activity</li> <li>• Monitoring and reviewing action plans regularly to effectively treat risks</li> </ul>
<b>Risk and Insurance Support</b>	<ul style="list-style-type: none"> <li>• Facilitate and support the procurement of the council's insurance programme and the management of claims.</li> <li>• Support managers in understanding where risk can be transferred by the use of insurance mechanisms</li> </ul>
<b>Senior Policy and Programme Manager/ Service Lead – Corporate Support from April 2021</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 Executive Leadership Board and senior managers 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.</p> <p>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</p>

Who	What
	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.

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 ELB and the following table provides details of the risks that are included on the Corporate Risk Register for 2021.

## Corporate Risk Register 2021/22

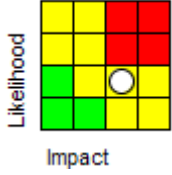
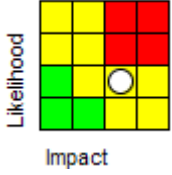


Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Residual Risk Score	Current Controls	Target Risk Score
CR001	Given competing demands and multiple complex priorities, the risk is that the council does not maintain capacity to deliver services.	Chief Executive	<ul style="list-style-type: none"> <li>• Ambitious council plan with multiple strands of activity</li> <li>• Outbreak of pandemic flu that increases the pressure to continue to provide critical services as well as respond to the needs of residents and businesses affected by the pandemic</li> <li>• Cultural desire to 'go the extra mile'</li> <li>• Competition from the private sector for key staff roles eg planning, project management</li> <li>• Officers not sensitive to the political reality and perhaps focus on 'old' priorities</li> <li>• Decision making can be slow,</li> </ul>	<ul style="list-style-type: none"> <li>• If decision making is slow, delays occur and potentially available resources are redeployed or become unavailable if they are externally sourced.</li> <li>• If staff lack political awareness, middle managers will be slow to redeploy resource to current priorities</li> <li>• If staff are diverted then can't deliver on other lower-level priorities or day-to-day things</li> <li>• Reputation is damaged as the council is not seen to be able to complete projects</li> <li>• Local members are not always kept informed of activity in their area</li> </ul>		<ul style="list-style-type: none"> <li>• Introduction of Winchester 'fitty' council initiative to reduce staff sickness and improve productivity</li> <li>• Council Plan is distilled into key priorities by service. If capacity becomes an issue, prioritisation of activity is in place</li> <li>• Proactive approach to communications internal and external</li> <li>• Political skills awareness sessions for all middle managers</li> <li>• Positive use of fixed term contracts to aid flexible resourcing</li> <li>• Targeted use of external resource</li> <li>• Reallocation of human and financial resources across and within the organisation</li> </ul>	

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Residual Risk Score	Current Controls	Target Risk Score
			<ul style="list-style-type: none"> <li>• Middle management too rule driven and need to be more responsive</li> <li>• Reluctance to “just do it”</li> <li>• Tension between day-to-day and strategic priorities</li> <li>• Skills not in the right place</li> </ul>	<ul style="list-style-type: none"> <li>• Unable to deliver key council services</li> </ul>		as required	
CR003	Decisions made by the council are challenged due to a lack of a strong evidence base, customer insight and engagement with change.	Strategic Director (Resources)	<ul style="list-style-type: none"> <li>• Inconsistent and traditional approach to customer engagement across the council</li> <li>• Lack of awareness of the questions to ask</li> <li>• Lack of awareness of the ‘right time’ to engage</li> <li>• Lack of public awareness that there is an opportunity to engage</li> <li>• Council is not aware of the full range of interested stakeholders</li> <li>• Council may only hear the loudest voices and not the silent majority or those that do not readily engage</li> <li>• Lack of skill to identify evidence to support decision making</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of a robust and evidence based approach to customer engagement can lead to: <ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Views that the council is too Winchester-centric</li> <li>• That decisions made are inequitable</li> <li>• There is a perception that people’s views are ignored</li> </ul> </li> <li>• Without a robust and evidence based engagement process the council is exposed to risk of challenge on decisions that there is a lack of public consultation and engagement</li> </ul>		<ul style="list-style-type: none"> <li>• Residents’ survey completed early 2019</li> <li>• A we asked ... you said ... we did feedback approach</li> <li>• A council wide data capture exercise completed</li> <li>• Comms approach reset to simplify language and remove data jargon</li> <li>• Move to proactive openness and transparency</li> <li>• A more inclusive approach to engagement that also considers the restrictions in place due to the pandemic</li> </ul>	

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Residual Risk Score	Current Controls	Target Risk Score
CR004	Business Continuity – failure to recover services after a major incident (including pandemic) that has had a significant impact on the ability of the council to provide its services	Strategic Director (Services)	<ul style="list-style-type: none"> <li>Not maintaining an effective corporate wide Business Continuity Plan</li> <li>Not regularly testing of plan and follow-up</li> <li>Key staff unavailable</li> <li>Communication systems ineffective</li> <li>Lack of awareness</li> <li>Failure to assess business critical functions</li> </ul>	<ul style="list-style-type: none"> <li>Unacceptable delay and uncertainty in returning to normal working after an emergency</li> <li>Adverse publicity and criticism</li> <li>Reputation damage</li> <li>Adverse social impact</li> </ul>		<ul style="list-style-type: none"> <li>Business Continuity Plans reviewed in 2020</li> <li>Annual testing of IT Disaster Recovery Plan</li> <li>Critical services identified with individual business continuity plans</li> <li>Back up temporary office accommodation at Hyde Lodge</li> <li>All staff able to seamlessly work from home, where job allows</li> <li>Recent internal audit resulting in substantial opinion and no identified weaknesses</li> </ul>	
CR006	Effective partnership working	Strategic Director (Place)	<ul style="list-style-type: none"> <li>Partnerships can falter due to lack of shared vision within partnerships</li> <li>Strategic partnerships may falter due to conflicting demands within individual partners</li> <li>Failure within procurement process</li> <li>Partnerships may be unsuccessfully commissioned due to lack of procurement skills and poor scoping.</li> <li>Significant local, regional or national partners may close down, affecting</li> </ul>	<ul style="list-style-type: none"> <li>Significant project delivery such as the major projects and the new home building programme may fail due to failed of strategic partnerships</li> <li>Local delivery may fail if local strategic partners are not aligned</li> <li>Reputational damage to all partners</li> </ul>		<ul style="list-style-type: none"> <li>Annual review of all partnerships undertaken to identify key strategic partners</li> <li>Introduction of annual performance reporting for significant partnerships</li> </ul>	

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Residual Risk Score	Current Controls	Target Risk Score
			council				
CR007	Lack of sufficient funding and/or escalating costs over the medium term reduce financial viability	Strategic Director (Services)	<ul style="list-style-type: none"> <li>Reduced Government funding</li> <li>Reliance on strategic partners to deliver services and projects</li> <li>Financial impact of a pandemic, including national and local budget pressures</li> <li>Macro economy, including Brexit, reduces locally generated Business Rates and parking income</li> <li>Failure to achieve income targets</li> <li>Inflation rises</li> <li>Penalties are imposed on the council due to falling standards in services</li> </ul>	<ul style="list-style-type: none"> <li>Unable to balance the budget</li> <li>Increased Council Tax</li> <li>Public's ability to pay for services</li> <li>Reduce services provided</li> <li>Demand/ cost of services</li> <li>Increased construction costs and impact on delivery and viability of key projects</li> <li>Over borrowing and avoidable cost</li> </ul>		<ul style="list-style-type: none"> <li>1 year funding settlement in place</li> <li>Outcome Based Budgeting (OBB) approach setting out longer term options</li> <li>Quarterly finance reporting and monitoring of key income sources</li> <li>Regular policy review and monitoring</li> <li>Scenario planning and sensitivity analysis of key risks</li> <li>Maintain General fund reserve of at least £2m</li> <li>Regular review of reserves</li> </ul>	
CR008	Strategic planning for housing	Strategic Director (Services)	<ul style="list-style-type: none"> <li>Increasing demand for new houses</li> <li>High cost of housing, including private rented sector</li> <li>Slow completion for building of new homes</li> <li>Unable to identify new sites for new houses</li> </ul>	<ul style="list-style-type: none"> <li>Increased housing waiting list numbers</li> <li>Difficulty accessing housing markets</li> <li>Outward migration of younger residents</li> <li>Adverse publicity</li> <li>Government intervention</li> </ul>		<ul style="list-style-type: none"> <li>Plans in place to deliver significant new homes</li> <li>Regular monitoring of projects</li> <li>Regular review of Housing Strategy</li> </ul>	

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Residual Risk Score	Current Controls	Target Risk Score
CR009	Cyber Security	Strategic Director (Resources)	<ul style="list-style-type: none"> <li>Malicious attack by hackers for financial gain (Ransomware);</li> <li>Malicious attack by hackers to disrupt business and ability to deliver services;</li> <li>Viral code attack in order to data mine information and identities</li> </ul>	<ul style="list-style-type: none"> <li>Possible complete shutdown of council IT systems and infrastructure;</li> <li>Business\service delivery disruption;</li> <li>Significant Financial loss;</li> <li>Credibility and confidence lost in engaging with digital services and e-payments</li> </ul>		<ul style="list-style-type: none"> <li>Mandatory Cyber Security awareness training held for all staff</li> <li>IT Systems and processes administered to PSN (Public Services Network) standards and protocols;</li> <li>ITILv3 Methodology adoption for ITSM;</li> <li>Comprehensive and regular reviews of ISP (Information Security Policies) and IT Network Access Policies;</li> <li>Operational daily checks and proactive monitoring of Firewalls and pattern updates;</li> <li>Staff qualified in Cyber Scheme Professional standards and within GOV UK CESG guidelines;</li> <li>Regular system health checks and vulnerability scans;</li> <li>System and software maintained to supported levels. Email security managed by accredited 3rd party</li> </ul>	



Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Residual Risk Score	Current Controls	Target Risk Score
CR010	Responding to the Climate Emergency	Strategic Director (Services)	<ul style="list-style-type: none"> <li>• Failure to take steps to achieve target for the council to be carbon neutral by 2024</li> <li>• Resistance to behavioural change to reduce energy use</li> <li>• Not take advantage of new technologies to reduce energy usage</li> <li>• Funding not made available</li> <li>• Insufficient project capacity in house</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to meet agreed targets</li> <li>• Adverse publicity</li> <li>• Reputational damage</li> <li>• Increased risk of flooding</li> <li>• Reduction in house prices</li> <li>• Carbon emissions increase</li> <li>• Protests by lobby groups</li> <li>• House price volatility e.g. increases in value for houses in areas less likely to flood</li> </ul>		<ul style="list-style-type: none"> <li>• Winchester Carbon Neutrality Action Plan approved</li> <li>• Cross council officer group established</li> <li>• Partner group to be established</li> <li>• Climate Emergency declared</li> <li>• Asset Management Strategy</li> </ul>	