

Risk Management Policy Statement and Strategy

Version 6

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Risk Management Policy

Arun District Council recognises that it has a duty of care to its residents, customers, employees, partners and visitors. In fulfilling this duty the Council will endeavour to apply high standards of governance and to be efficient, effective, transparent and accountable.

An important component of the corporate governance framework is to identify, evaluate and manage risks and opportunities so as to make a positive contribution toward achievement of the Council's aims and objectives.

The Council is committed to promoting an organisational philosophy that ensures that management of risk is an integral part of its business processes and assists with decision making and achievement of key objectives whilst also providing evidence of effective management and control in support of the Annual Governance Statement.

It is impossible to remove all risk, but effective practicable risk management will help to ensure that the Council maximises its opportunities and minimises the risks to which it may be exposed thereby improving outcomes and its ability to deliver its priorities.

Achievement of the Council's risk management objective requires the full support and active participation of Councillors, Corporate Management Team, Senior Management Team, all employees and partnering organisations. At all levels there is a need for an understanding of the nature of risk and acceptance of responsibility for control of risks within the area of work with which they are associated.

Management of risk is a continuous and dynamic process and the Council's approach will be kept under regular review.

.....
Nigel Lynn
Chief Executive and
Corporate Support Director
Lead Officer for risk management

.....
Cllr Dudley Wensley,
Cabinet Member for
Corporate Support
Lead Member for risk management

Definitions

Governance

The arrangements put in place to ensure the Council fulfils its purpose and the intended outcomes for stakeholders are defined and achieved whilst operating in an effective, efficient, economic and ethical manner.

Risk

The chance or possibility of an event occurring that will impact upon the business of the Council creating uncertainty in achievement of objectives.

Risk Management

The planned and systematic approach to the identification, measurement, control, reporting and review of risks to inform decision making with a view to ensure best use of resources, continuity of service provision, taking advantage of opportunities and achievement of corporate priorities and objectives.

Risk Appetite

The level of risk the Council is prepared to tolerate or accept in pursuit of its objectives whilst recognising the potential benefits that might result from a higher degree of risk taking. A Statement of Risk Appetite is included at Appendix 3 of this document.

Purpose and Objectives of the Strategy

The purpose of the Risk Management Strategy is to establish and maintain a framework for the systematic management of risk.

The objectives of the strategy are to: -

- promote a risk management framework to be embedded within the culture and business processes of the Council
- manage risk in accordance with best practice
- anticipate and respond to changes in social, environmental and legislative requirements
- inform policy, strategic and operational decisions
- promote practical measures for the control of risk to an acceptable level within the Council's risk appetite
- promote stakeholder confidence in good governance of the Council

These objectives will be achieved by:-

- having defined roles, responsibilities and reporting lines within the Council for risk management
- recording the risk management issues considered when making decisions
- continuing to reinforce and demonstrate the effective application of risk management principles throughout the activities of the authority
- establishing, maintaining and reviewing registers of identified risks

Our Approach

By implementing a corporate risk management approach any risks and opportunities may be effectively managed and place the authority in a strong position to deliver its objectives.

Used well, risk management will inform and assist the business processes including;

- Strategic planning
- Service planning
- Financial planning
- Policy making & review
- Performance management
- Project management
- Partnership working
- Governance reporting

Members and officers with responsibility for achieving objectives also have responsibility for identifying and assessing risks and opportunities, developing and implementing control and warning mechanisms, and reviewing and reporting on progress. All identified risks and control measures should be recorded within risk registers and periodically reviewed.

Risks, together with operation and effectiveness of the control measures applied, and compliance with the adopted strategy will be reviewed as part of the annual internal audit plan and reported to Audit & Governance Committee. In addition, control measures that are assessed as not performing adequately will be reported to the Group Head for the service and/or Corporate Management Team as appropriate. Managing risks and performance through robust internal control and strong financial management is a key principle in delivering good governance in the public sector.

The risk management strategy adopted will be made available to all Members and employees via the intranet.

Benefits of Risk Management

Risk management when successfully embedded can produce many benefits as indicated in figure 1 below.

Figure 1: Risk Management Benefits



Strategic approach to risk management

In order to formalise and structure risk management within the Council, it is recognised that there are obvious and clear links between risk management and strategic planning, financial planning, policy making & review, and performance management.

The linkages are as follows:

- Each priority identified in the Vision and key objectives is translated into the Council's Service Delivery Plans (SDP's) and are targets that the Council will aim to achieve. During the lifetime of this plan there will be direct and indirect threats to the achievements and these are the risks that should be recorded.
- Measurement of performance against the corporate objectives, SDP's, performance indicators and key tasks is achieved in a number of ways including:
 - Monitoring and reporting performance on a regular basis and escalating through the organisation as appropriate.
 - Cabinet members reviewing performance data relevant to their portfolio on a quarterly basis.
- Management of Key Strategic Risks which could affect the delivery of the Council objectives / targets is undertaken by the Corporate Management Team.
- SDP's are developed in accordance with the strategic objectives of the Council, and explain how each service helps to meet the Council's objectives in respect of:
 - national and local shared priorities
 - partnerships
 - service delivery
 - Council's vision and values
- Performance management and key objectives are cascaded down to all employees through the performance and development review framework which seeks to ensure that the duties of all employees are linked to the objectives of the service and the Council.

Implementation of risk management

The risk management process

Implementing the strategy involves a 5-stage process to identify, analyse, prioritise, manage and monitor risks

Stage 1 – Identification of the risks

The first step is to identify the 'key' risks that could have an adverse affect or prevent key business and service objectives from being met. It is important that those involved in the process clearly understand the service or organisation's key business objectives i.e. *'what it wants to achieve'* in order to be able to identify the barriers to achievement. It is important to consider the relevant SDP in a broad context, i.e. not focusing solely on specific detailed targets but considering the wider direction and aims of the service and what it is trying to achieve.

Also, when identifying risks it is important to remember that as well as the threats, risk management is about making the most of opportunities e.g. making bids for funding, successfully delivering major projects and initiatives, pursuing beacon status or other awards, taking a national or regional lead on policy development etc.

Using Appendix 1 as a prompt, various techniques can then be used to begin to identify 'key' or 'significant' business risks which could include: -

- A 'brainstorm' session;
- SWOT analysis;
- Horizon scanning;
- Own experience;
- Experiences of others - can we learn from others mistakes?
- Exchange of information/best practice with other authorities, organisations or partners.

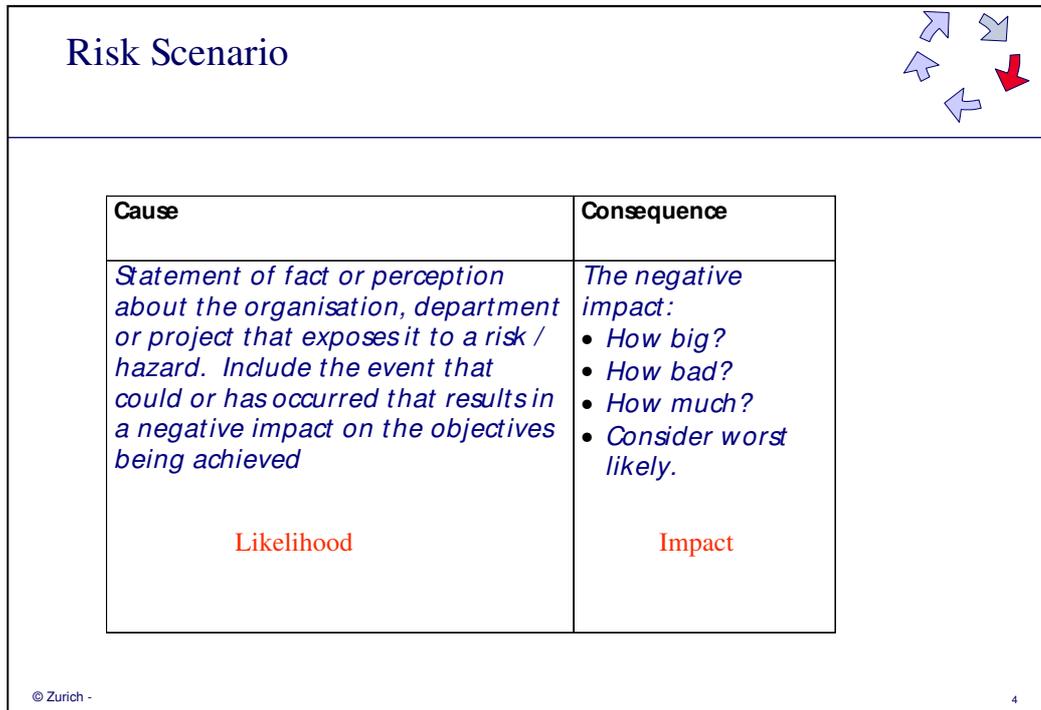
It is also recommended that a review of published information such as service delivery plans, strategies, financial accounts, media mentions, and inspectorate and audit reports be used to inform this stage, as they are a useful source of data.

The process for the identification of risk should be undertaken for projects (at the end of each project stage), partnerships, service delivery planning and at a strategic / corporate level.

Stage 2 – Analysing the risks

The information that is gathered needs to be analysed into risk scenarios to provide clear, shared understanding and to ensure the root cause of the risk is clarified. Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed. There are 2 parts to a risk scenario. The cause describes the situation and/or event perceived to expose the Council to a risk. The consequences are the events that follow in the wake of the risk.

Figure 2: Example of the structure of a risk scenario



Each risk scenario is recorded in a risk register. The registers may be strategic, operational by service area, or relating to a specific project or partnership. The purpose of the risk register is to record details of the risk, its likelihood and impact (see stage 3) and mitigation or control measures.

Stage 3 – Risk Profiling and prioritisation

Following identification and analysis the risks need to be evaluated, i.e. the potential likelihood of the risk occurring, and its impact if it did occur, determined and scored.

When assessing the potential likelihood and impact, the risks must be compared to the appropriate objectives e.g. corporate objectives for the strategic risk profile, and service objectives for the operational risk profile.

The likelihood and impact should be considered within a relevant timeframe. A 2 to 4 year time horizon may be used at a strategic level to coincide with the setting of corporate priorities, and 12 to 18 month timeframe used at service level to link with service delivery plans and budgets. The likelihood and impact should also be assessed with existing controls in place, not taking future ones into account at that time.

Stage 4 – Action Planning (the 4 T’s)

This is the process of turning ‘knowing’ into ‘doing’ and controlling or accepting the risks by deciding to;

- **Treat** - it may be possible to mitigate the risk by 'managing down' the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, impact and financial consequences of the risk event.
- **Tolerate** - certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood and monitored.
- **Transfer** – pass the risk to another body or organisation i.e. insurance, contractual arrangements, outsourcing, etc.
- **Terminate** - end all or part of a particular service or project.

It is important to recognise that in many cases existing controls will already be in place and should be taken into account before considering further action.

Most risks are capable of being managed thereby reducing the likelihood or impact or both. Relatively few risks have to be transferred or terminated. Service plans should identify the resources required to deliver the mitigating actions or improvements.

Existing controls, their adequacy, new mitigation measures and associated action planning information should all be recorded on the risk register, including ownership of the risk and allocation of responsibility for each mitigating action. The risk mitigation measures may be recorded in the relevant business plans and cross referenced to risk register entries.

A further judgement may be made regarding a 'target risk score', i.e. a risk score that meets risk appetite such that the activity, project or initiative may proceed.

Stage 5 – Monitoring risk management

The Corporate Management Team is responsible for ensuring that the key risks on the strategic risk register are managed and the progress with the risk mitigation measures should be monitored at appropriate intervals. The Corporate Management Team and Senior Management Team are responsible for ensuring that the key risks in the operational or project risk registers linked to their respective service areas are managed. It is recommended that the 'red risks' feature as a standing item on Senior Management Team meeting agendas.

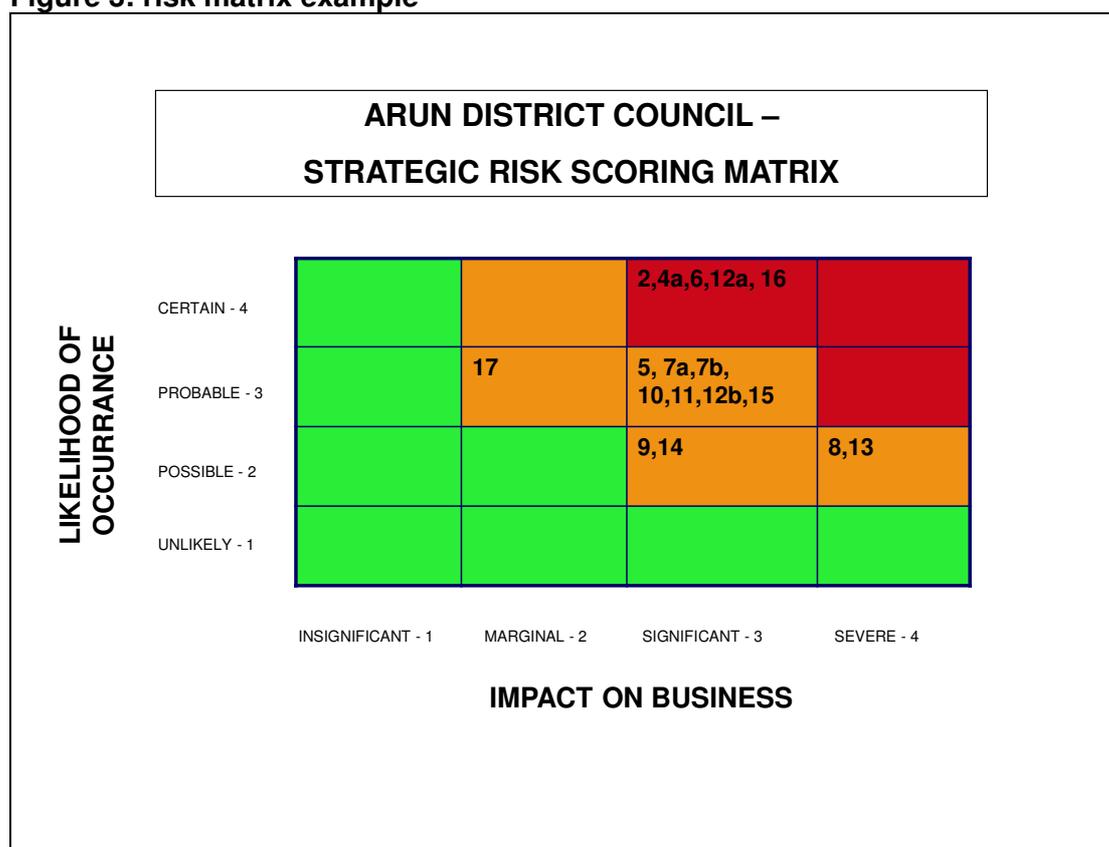
The strategic and operational risk registers should be reviewed periodically and risks re-scored where necessary. Risks should be amended so that they reflect the current situation, obsolete risks deleted and new risks added. This ensures that the risk registers and resulting risk mitigation measures are appropriate for the current corporate and service objectives. The strategic risk register should be reviewed at least annually by the Lead Officer and Lead Member for risk management. Operational risk registers should be reviewed and updated by the respective Directors and their service management teams as appropriate, but at least annually.

Reporting and escalating risks

As new risks arise they should be promptly recorded on the relevant risk register. Also the environment in which the risks exist will change making some risks more critical or others less important. Risk registers at each level should be updated to reflect these changes as they occur.

The Governance & Risk Group will collate the highest level (red risks) and other regularly occurring operational risks at service level and report same to the Lead Officer and Lead Member for risk management for consideration toward inclusion as strategic risks which require corporate ownership and management.

Figure 3: risk matrix example



The matrix has three filters - red, amber and green.

Red risks are those which cause the Council or service greatest concern, are in need of closer attention or may require more frequent scrutiny, review and reporting.

Amber risks are those that should be reviewed periodically to determine if practical steps can be taken to reduce the scoring to 'green' and the control measures in operation regularly reviewed.

Green risks are likely to require no further action but should still be subject to review.

Where there are a number of similar red or amber risks which share common causes and consequences and can therefore be similarly managed, it may aid action planning for the risks to be clustered and titled, e.g. staff recruitment and retention.

Roles and responsibilities

The following describes the roles and responsibilities that Members and officers will play in introducing, embedding and owning the risk management process.

Members

Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces, and will be made aware of how these risks are being managed through the strategic and service planning processes. All members have responsibility to consider the risks associated with the decisions they undertake. They should not seek to avoid or delegate their stewardship responsibilities.

Audit & Governance Committee

The Council's Constitution (Part 3, Item 4.1) defines the responsibilities of the Committee with regard to risk as to;

- provide an independent assurance of the adequacy of the risk management framework and the associated control environment so as best to protect the Council's reputation
- provide independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment,
- oversee the work of internal and external audit and receive periodic reports from the authority's Governance and Risk Group,
- monitor the effective development and operation of risk management and corporate governance in the Council,

Actions and decisions taken by the Committee on risk matters will be advised to Council through the minutes of the Committee.

Cabinet and Cabinet Members

- To receive regular reports, as received by Audit & Governance Committee, covering implementation of the Council's risk management policy and strategy to determine whether strategic risks are being actively managed.
- To report to Council on the risk management framework.
- The Cabinet Member for Corporate Support is recognised as the Lead Member for Risk Management

Corporate Management Team

- To ensure that effective systems of risk management and internal control are in place to support the corporate governance of the Council.

- To take a leading role in identifying and managing the risks and opportunities to the Council and to set the example and standards for all staff.
- To advise Cabinet and Council on the risk management framework, policy, strategy and processes.
- To advise on the management of strategic and other significant risks.
- To ensure that the Policy and Strategy are communicated, understood and implemented by all Members and staff and fully embedded in the Council's business planning and monitoring processes.
- To identify, analyse and profile high-level corporate and cross-cutting risks on a regular basis as outlined in the monitoring process.
- To report to Members on the management of corporate and other significant risks and the overall effectiveness of risk management controls.
- To ensure that appropriate risk management skills training and awareness is provided to all Members and staff.
- The Chief Executive & Corporate Support Director is recognised as the Lead Officer for Risk Management
- To ensure the proper monitoring of the relevant SDP risk registers, local action plans and facilitating embedding of risk management into business and service planning.
- Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives.
- Ensuring that all reports of a strategic nature written for Members include a risk assessment of the options that are presented for decision.

Senior Management Team

- Each member of the Senior Management Team is individually responsible for proper monitoring of their service risk register, action plans and the embedding of risk management into the business and service planning of their relevant service areas.
- Be actively involved in the identification and assessment of service level risks resulting in an up to date service risk register and matrix.
- Ensuring that all reports of a strategic nature written for Members include a risk assessment of the options presented for a decision.
- To implement approved action plans.
- To maintain the awareness of risks and feed them into the risk identification process.
- Provide assurance on the adequacy of their relevant service's risk and control procedures

Governance and Risk Group

- To collate on an annual basis the key and consistent themes from SDPs, project and partnership risk registers and give feedback to services as appropriate.
- Report to the Lead Officer and Lead Member for risk management on high priority risks within service areas and actions being undertaken to manage identified risks.
- To collate the highest level and most common operational risks (those risks of a more health and safety or liability perspective) from service level registers for further consideration and review.

- Monitor the implementation and embedding of risk management within key Council processes
- To identify risk management training needs across the council
- To act as a forum for the sharing of best practice.

Internal Audit

To carry out a continuous independent review of the Risk Management Strategy and processes and report thereon.

- To provide assurance to the Council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance.
- To report to Corporate Management Team and Members on the control environment.
- To provide an annual Audit Plan that is based on a reasonable evaluation of risk and to provide an annual assurance statement to the Council based on work undertaken in the previous year.

Individual Employees

To identify risks surrounding their everyday work processes and working environment.

- To participate, where appropriate, in ongoing risk management within service areas, as part of the business planning process
- To actively manage risks and risk actions, where appropriate
- To demonstrate an awareness of risk and risk management relevant to role.

Conclusion

This strategy will set the foundation for integrating risk management into the Council's culture and will help to address the challenges made by external inspections and audit. It will also formalise a process to be applied across the Council to ensure consistency and clarity in understanding the role and benefits of strategic risk management.

The reporting and escalation of risks from Services to Senior Management Team should interlock with the existing arrangements for performance management reporting; the intention being that the management of risks is incorporated into service delivery planning so that the reporting of performance naturally reports progress on the mitigation of risks.

The adoption of the strategy will formalise the risk management work undertaken to date and will move the Council towards meeting external inspection requirements and good business practice for compliance with good corporate governance.

Appendix 1 – Risk Identification Prompts

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifesto commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences of proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives	IT infrastructure, Staff/client needs, security standards, Business Continuity.
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives	Land use, recycling, pollution
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation
Managerial/ Professional	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budget overspends, level of Council tax, level of reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment

Appendix 2 – Risk Analysis Table (example)

Level	Likelihood	Impact					
		Injury or Damage	Legal	Financial	Privacy	Reputation	
1	Unlikely – no occurrence in last 5 years or for foreseeable future	Injury to person not requiring hospital treatment Loss of use premises for up	Litigation or fines or costs of not more than £5,000	Loss of money or uninsured costs of less than £5,000	Isolated case of non-sensitive data being revealed or compromised	Complaint contained within Service Area/Directorate	
2	Possible – no occurrence within last 3 years or within timescale of project, initiative or objective	Injury to several people not requiring hospital treatment Loss of use of premises for up	Litigation or fines or costs of not more than £100,000	Loss of money or uninsured costs of less than £100,000	Several cases of non-sensitive data being revealed or compromised	Complaint with local media interest or coverage of issue.	
3	Probable – No occurrence in last 12 months nor expected within next 12 months	Injury requiring hospital treatment Loss of use of premises for up	Litigation or fines or costs of not more than £500,000	Loss of money or uninsured costs of less than £500,000	Sensitive data being revealed or compromised	National media interest or coverage of issue	
4	Certain – At least one occurrence in last 12 months or	Death of one or more individuals. Complete loss	Custodial sentence or litigation resulting in costs/fines of over £500,000	Loss of money or uninsured costs in excess of £500,000	Large volume of sensitive information revealed or compromised	National media interest and enforced resignation	

APPENDIX 3

RISK APPETITE STATEMENT

Risk appetite may be defined as the level of risk the Council is prepared to tolerate or accept in the pursuit of its strategic objectives. Our aim is to consider all appropriate and practicable options to respond to identified risks and make informed decisions that are most likely to contribute toward successful delivery and value for money.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate delivery failure are employed.

It is recognised that risk appetite may vary according to the activity undertaken and its potential benefits. Our approach is to minimise exposure to compliance and reputational risk whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives as illustrated below;

	Lower	Moderate	Higher
Compliance & Regulation			
Operational /Service Delivery			
Financial			
Reputation			
Transformational Change			
Development & Regeneration			
People & Culture			

Compliance & Regulation –

The Council recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

Operational/Service Delivery –

In seeking to achieve its strategic objectives the Council accepts a moderate to high level of risk arising from the nature of its business operations at an appropriate level of service delivery and value for money whilst minimising negative reputational impacts.

Financial –

The Council aims to maintain its long term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives subject to the following minimum criteria;

- To set a balanced overall revenue budget and for Directors and Service Managers to contain net expenditure within approved service revenue and capital budgets
- In accordance with its reserve strategy to maintain a minimum General Fund unallocated reserves balance of £4m at all times
- The maximum level of variable interest rate exposure on its gross debt not to exceed 40%

Reputation –

It is regarded as essential that the Council seeks to preserve a high reputational standard and hence has set a low appetite for risk in the conduct of all of its activities that may put its reputation in jeopardy through negligent statements or adverse publicity.

Transformational Change –

The environment in which the Council operates is continually changing through both external and internal factors and demands. Change projects provide the Council with an opportunity to establish longer term benefits and continual improvement in the delivery of value for money services. The Council recognises that this may require increased levels of risk and is comfortable accepting the risk subject to ensuring that risks are managed appropriately.

Development & Regeneration –

The Council has a continuing obligation to invest in the development and regeneration of the district. To be progressive and innovative in meeting this obligation the Council is willing to accept a higher appetite for risk whilst ensuring that the risks and benefits to be gained are fully understood in order that informed decisions are made.

People & Culture –

The Council recognises that its employees are critical to the achievement of its objectives and that staff support and development are key to making the Council as a place of work that inspires good performance. It has a moderate to high risk appetite around decisions that involve staffing or culture to support transformational change and continual improvement.