REPORT TO CABINET

<table>
<tr><td colspan="2">Open</td><td colspan="3" rowspan="2">Would any decisions proposed :

Be entirely within Cabinet's powers to decide NO
Need to be recommendations to Council YES

Is it a Key Decision NO</td></tr>
<tr><td>Any especially affected Wards</td><td>Discretionary /</td></tr>
<tr><td colspan="2" rowspan="2">Lead Member: Cllr Nick Daubney
E-mail: cllr.Nick.Daubney@West-Norfolk.gov.uk</td><td colspan="3">Other Cabinet Members consulted:</td></tr>
<tr><td colspan="3">Other Members consulted:</td></tr>
<tr><td colspan="2">Lead Officer: Ray Harding
E-mail: ray.harding@west-norfolk.gov.uk
Direct Dial: 01553 616245</td><td colspan="3">Other Officers consulted:
Lorraine Gore, Assistant Director (s151 Officer)
Emma Duncan, Monitoring Officer
Vanessa Dunmall, Performance and Efficiency Manager
Management Team</td></tr>
<tr><td>Financial Implications
NO</td><td>Policy/Personnel Implications
NO</td><td>Statutory Implications
YES</td><td>Equal Impact Assessment
NO</td><td>Risk Management Implications
YES</td></tr>
</table>

Date of meeting: 1st March 2016

RISK MANAGEMENT POLICY AND STRATEGY REVIEW

Summary

The Council's Risk Management Strategy was last reviewed and approved by Council on 28th January 2010. This latest review has split the existing document into two documents, Policy and Strategy, and linked risk management more closely to the achievement of the Council's objectives. The risk appetite is formally recognised within the Policy, and the Strategy provides a means of escalating risks from service and project level to the Corporate Risk register if necessary.

Recommendation

That Cabinet recommend that Council approve the Risk Management Policy and Strategy.

Reason for Decision

To ensure there is a comprehensive and up to date framework for the Council's management of risk.

Background

The Council's current risk management system has been contained within one document, 'Risk Management Strategy' approved by Council on 28th January 2010.

Whilst this document has been sufficient, on review it was felt that a clearer commitment to risk management could be expressed by having a separate policy and strategy. The policy outlines the Council's approach to risk management and the strategy describes how it will be implemented.

Risk Management Policy

The policy (**Appendix A**) states the Council's commitment to managing risk in a positive manner. It is recognised that in order to achieve the Council's objectives it is necessary to take risks and that these need to be identified, understood and managed accordingly.

The risk appetite is defined in the policy as 'Open' which means that the council is '*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*'.

Risk Management Strategy

The strategy (**Appendix B**) describes the approach to be carried out in practice. It explains how risks will be identified, analysed, managed and monitored. The criteria to be used for deciding the potential impact of a risk are shown and the appropriate levels of action to be taken for the different risk categories.

The criteria used to assess the impact of a risk have been amended. Previously the criteria had included one for effects on delivering partnership objectives and one for the effect of unplanned service changes. These have been combined into one assessment of 'impact on service'. A new criteria of 'Legal and Statutory' has been introduced.

The values for the 'Financial Loss' criteria have been extended to include a percentage of budget as well as a fixed value. This is to enable the criteria to be applied to service and project risks as well as the corporate risks.

A review period of three years has been set for both documents, with the next review due in March 2019.

Policy Implications

The Risk Management Policy and Strategy represents a refresh of the Council's existing policy and approach to risk which encourages a positive culture towards risk and its effective management.

Financial Implications

There are no direct financial implications, however failure to manage risk effectively may have a financial impact. It is therefore essential that the Risk Management Policy and Strategy are fit-for-purpose.

Personnel Implications

There are no Personnel implications.

Statutory Considerations

Accounts and Audit Regulations 2015 regulation 3(c) – *A relevant authority must ensure it has a sound system of internal control which includes effective arrangements for the management of risk.*

Equality Impact Assessment (EIA)
There are no EIA considerations

Risk Management Implications
This report is designed to take forward and enhance the Council's effective management of risk throughout the organisation.

Declarations of Interest / Dispensations Granted
None

Background Papers
Risk Management Strategy dated December 2009 (approved by Council 28th January 2010).

Borough Council of
King's Lynn &
West Norfolk

Risk Management Policy

1. Introduction

It is the Council's policy to proactively identify, understand and manage the risks involved in service delivery and associated with our plans and strategies, so as to encourage responsible and informed decision making.

The purpose of this Risk Management Policy is to state the Council's risk management objectives and approach. The processes required to implement this Policy are contained in the Risk Management Strategy.

The Council's Business Plan sets out the Council's objectives for the next 4/5 years. The risk management approach described in this policy is key to identifying, assessing and managing risks to the achievement of the objectives.

This policy will be reviewed every three years to ensure it remains relevant to the needs of the Council. **The next review date is March 2019**.

2. Definitions

2.1 Risk can be defined as '*an uncertain event or set of events which, should it occur, will have an effect upon the achievement of objectives'*.

2.2 Risk Management can be defined as '*the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling or responding to them'*.

2.3 Risk Appetite is '*the amount of risk that an organisation is willing to seek or accept in the pursuit of its long-term objectives'*.

3. Benefits of risk management

Effective risk management delivers benefits to individual services and the Council as a whole. The key benefits include:

- A better, more informed, decision making process
- The ability to manage the process of achieving objectives.

By delivering enhanced risk management practice and adhering to the Risk Management Strategy, the following additional benefits can be realised:

- Increased likelihood of achieving the Council's objectives
- More robust assessment of opportunities
- Improved business planning through risk based decision making
- Improved governance and controls
- Enhanced stakeholder confidence and trust

- Enhanced performance through an integrated approach
- Effective allocation and use of resources
- Improved organisational resilience

4. Objectives

The purpose of risk management is to:

- Improve business performance
- Promote a risk aware culture to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the Council
- Promote Corporate Governance by integrating risk management and internal control
- Preserve and protect the Council's assets, reputation and staff

5. Risk Management Approach

To ensure it is effective, risk management needs to be aligned with corporate aims, objectives and priorities. The Council's approach to embedding risk management is to create a culture that spreads best practice, identifies and communicates lessons learnt, and uses appropriate expertise.

Risk management has to be proactive to ensure that corporate and operational risks are:

- Identified
- Assessed by considering the impacts and likelihoods of their occurrence
- Effectively managed by identifying suitable controls and countermeasures, and assessing the mitigating actions proposed.

Effective risk management anticipates and avoids risks rather than dealing with the consequences of events happening.

6. Risk Appetite

The Council recognises that it must take risks. Indeed, only by taking risks can it achieve its aims and deliver beneficial outcomes to its customers. It must, however, take risks in a controlled manner, thus reducing its exposure to a level deemed acceptable by the Council and by relevant auditors, regulators and inspectors.

Methods of controlling risks must be balanced in order to support innovation and the imaginative use of resources, especially when it is to achieve substantial benefit. Calculated controlled risks, such as accepting new opportunities or using innovative approaches for the benefit of the Council, may be taken providing the risk exposure is within the Council's 'risk tolerance' levels, these are defined as:

6.2.1 **Acceptable risks** – the risks associated with any proposed actions and decisions need to be clearly identified, evaluated and managed to ensure that risk exposure is acceptable. Particular care is needed in considering actions that could:

- Have an adverse effect on the Council's reputation and/ or performance
- Undermine the independent and objective review of activities
- Result in censure or fines being imposed by regulatory bodies
- Result in financial loss

Any threat or opportunity that could have a significant impact on the Council's reputation or its services must be closely examined, and all risks clearly evaluated and referred to the appropriate Executive Director. Where there is risk that could potentially have a corporate impact on the Council, it must be considered by Senior Management Team.

6.2.2 **Prohibited risks** – risks are not acceptable where they could result in physical harm; non-compliance with legislation or Government regulations; or non-compliance with Council policy, rules and procedures. Therefore any opportunity or innovative approach that may result in such outcomes must not be pursued.

The organisation's current overall risk appetite is defined as 'Open', which means that:

Open	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.

Signed: ______________________________ Ray Harding, Chief Executive

Date: ______________________________

Signed: ______________________________ Cllr N Daubney, Leader

Date: ______________________________

Borough Council of
King's Lynn &
West Norfolk

Risk Management Strategy

Introduction

Risk management can be defined as '*the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling or responding to them'*.

The Council's risk management objectives and approach are stated in the Risk Management Policy. This strategy explains the processes required to implement the policy and provides simple templates designed to evaluate the effect of a risk.

The purpose of risk management is to:

- Improve business performance
- Promote a risk aware culture to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the Council
- Promote Corporate Governance by integrating risk management and internal control
- Preserve and protect the Council's assets, reputation and staff.

This strategy will be reviewed every three years to ensure it remains relevant to the needs of the Council. **The next review date is March 2019**.

Process of managing the risk

Risk management consists of initially defining the risk appetite and then applying four basic processes:

1. Identifying risks
2. Evaluating
3. Minimising, controlling and responding
4. Monitoring and reporting

Risk Appetite is '*the amount of risk that an organisation is willing to seek or accept in the pursuit of its long-term objectives'*. The Council's risk appetite was defined in the Risk Management Policy as '**Open**', which means that the council is '*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'*.

1. Identify the risk

The purpose of this stage is to identify anything that might affect the achievement of the Council's objectives and assess what that effect might be. The question to ask is 'What might possibly present itself in the course of delivering the objectives, which has the capacity to threaten or improve the success?' Once identified, the extent to which it might affect the objectives needs to be considered.

A number of approaches are taken to identify risks to the Council at the earliest opportunity and ensure that they are managed from a very early stage. These include:

- Regular monitoring of the Corporate Business Plan
- Regular monitoring of Committee reports and Performance monitoring reports
- Regular reviews by Management Team to ensure all corporate risks have been captured on the Corporate Risk Register and accurately assessed.
- Robust processes at the commencement of projects, particularly major ones, and ongoing monitoring

2. Evaluate the risk

This stage develops a greater understanding of each risk, its impact and the likelihood of those consequences. It provides an input to risk evaluation and to decisions on how risk will be managed.

The categories for Likelihood and Impact are shown below.

Likelihood

Score	**Definition**
1 – Rare	The event may occur only in exceptional circumstances
2 – Unlikely	The event could, but is not expected to, occur
3 – Possible	The event might occur at some time
4 – Likely	The event will probably occur in most circumstances
5 – Almost Certain	The event is expected to occur in most circumstances

Impact

Score	Impact on service	Personal safety	Financial loss	Legal and Regulatory	Corporate objective	Environmental impact	Reputation
1	Little	No injury	<£25,000 or 1% of budget	Minor civil litigation or regulatory criticism	No effect on delivery	None or insignificant	No damage
2	Some	Minor injury	>£25,000 or >2.5% of budget	Minor regulatory enforcement	Little effect on delivery	Minor damage	Minimal damage (minimal coverage in local press)
3	Significant	Violence or threat of serious injury	>£175,000 or >5% of budget	Major civil litigation and/or public enquiry	Possible impact on delivery	Moderate damage	Significant coverage in local press
4	2-7 days	Extensive or multiple injuries	>£500,000 or >10% of budget	Major civil litigation and/or national public enquiry.	Significant impact on delivery	Major damage	Coverage in national press
5	>7 days	Fatality	>£1m or >15% of budget	Section 151 or government intervention or criminal charges	Non delivery	Significant damage locally or nationally	Requires resignation of Chief Exec, Exec Director or Leader

Apply the definitions of Likelihood and Impact to establish the risk score and rating. This will determine what level of action is required and who by.

LIKELIHOOD

5 Almost Certain	(5) (Green)	(10) (Orange)	(15) (Red)	(20) (Red)	(25) (Red)
4 Likely		(8) (Green)	(12) (Orange)	(16) (Red)	(20) (Red)
3 Possible		(6) (Green)	(9) (Green)	(12) (Orange)	(15) (Red)
2 Unlikely			(6) (Green)	(8) (Green)	(10) (Orange)
1 Rare					(5) (Green)
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme

IMPACT

Risk Category	How the Risk should be managed
Very High Risk (15 – 25) (Red)	Immediate action required. Senior Management must be involved.
High Risk (10 – 12) (Orange)	Senior Management attention needed and management responsibility specified.
Medium Risk (5 – 9) (Green)	Manage by specific monitoring or response procedures. Responsibility to be allocated by Management Team to a named Service Manager.
Low Risk (1 – 4) (White)	Manage by routine procedures, unlikely to need specific or significant application of resources.

For example, a risk that is ‘Likely’ to occur, and has a ‘minor’ impact will score 4 x 2 = 8 which is a ‘Medium’ risk.

3. Minimising, controlling and responding

When deciding how to manage risks, the cost effectiveness of implementing proposed controls needs to be considered. There is little benefit to be gained from pursuing a course of action if the cost of controlling a risk outweighs the benefits to be gained.

There are four basic ways of responding to risk:

1. **Avoidance**
   Deciding not to continue or proceed with the activity in view of the level of risk involved. This may be as a result of the cost of mitigating the risk being too high, or the consequences being too adverse. (Note: statutory requirements cannot be avoided).
2. **Transfer**
   Involves another party bearing or sharing the risk, a typical example being the use of insurance. (Note: ultimate responsibility to undertake statutory requirements remains with the Council even if third party provision is engaged).
3. **Mitigate**
   Ensuring existing controls are effective by periodic review and testing, and implementing additional controls where necessary.

4. **Acceptance**
   Certain risks cannot be adequately treated by any of the above. In such cases, there is no alternative but for the Council to accept the residual risks concerned. Details of how these risks and their possible effects are to be managed must be recorded in the risk register at Corporate, Service or Project level as appropriate, and subject to regular review.

4. Monitoring and reporting

Management Team reviews the Corporate Risk Register at regular intervals to assess if any risk has increased, reduced or stopped altogether, or if new risks need to be added.

The Terms of Reference for the Audit and Risk Committee state that '*the purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework…',* and as such one of its functions is to 'c*onsider the effectiveness of the Council's risk management arrangements'.*

The Committee will therefore receive regular updates on the risk register and will consider the effectiveness of the Risk Management Strategy.

5. Corporate Risk Register

The Corporate Risk Register records high level risks that pose a threat or opportunity to the Council's objectives. Executive Directors are responsible for identifying risks within their respective Directorates that have a corporate impact during any section or project meetings. The Audit Manager should be notified of any such risk so that it can be added to the Corporate Risk Register and included in the next review by Management Team.

6. Roles and responsibilities

Risk management is the responsibility of everyone. It is important that risk management becomes part of daily routines to ensure achievement of the Council's objectives is not jeopardised by unrecognised risks.

All Council employees and Members are responsible for ensuring there are robust and fit-for-purpose systems of internal control and risk management in place; and they are aware of the risks that:

- they are empowered to take
- must be avoided or reported upwards

Members

The Leader of the Council is responsible for acting as Lead Councillor for risk management.

The Audit and Risk Committee has specific responsibility for the scrutiny of risk management. The Committee receives the annual review of the Risk Management Strategy and half-yearly reports on the update of the Risk Register. It is the Committee's responsibility to ensure that risks are being actively managed.

Management Team

Ultimately Management Team is responsible for managing risk. The responsibility cannot be devolved down, although actions to mitigate risk can be assigned to officers.

Executive Directors must inform the s151 Officer of any financial viability or resilience issues as soon as they emerge so that any appropriate action that may be required can be taken.

In addition Management Team should:

- Nominate a member of Management Team with overall responsibility for Risk Management, currently the Chief Executive
- Identify risks within their respective Directorates through section and project meetings.
- Take ownership of risks within their respective Directorates and assign a responsible officer to all significant service risks
- Receive regular updates on identified and any new significant emerging risks within their Directorate
- Ensure that the risk management process is reviewed on an regular basis

S151 Officer

The S151 Officer has a responsibility to monitor the viability and resilience of the Council's finances and take appropriate action if required to ensure the ongoing security of the Council. Therefore she must be informed of any potential financial risk arising from project or service activities as it emerges.

Service Managers

Service Managers are responsible for raising awareness of the risk strategy in their own service area and notifying their Executive Director of any significant risks.

Service Managers, in conjunction with their Executive Director, should:

- Lead reviews of the operational risks relating to their services
- Ensure a responsible officer is assigned to manage significant risks
- Identify resources to address the highest priority risks
- Monitor progress on a regular basis
- Review the risks on an annual basis and when new situations arise.

Project Managers

Managers of major projects are responsible for raising awareness of the strategy in their own projects and should monitor the project risk register on a regular basis. Any significant risks should be notified to the relevant Executive Director and.

Project Managers, in conjunction with their Executive Director, should:

- Lead reviews of the operational risks relating to their projects
- Ensure a responsible officer is assigned to manage significant risks
- Identify resources to address the highest priority risks
- Monitor progress on a regular basis
- Review the risks on an annual basis and when new situations arise.

Internal Audit

The Audit Manager is responsible for co-ordinating the review of the Corporate Risk Register, managing any updates in the intervening periods and presenting the results to the Audit and Risk Committee. Therefore audit of the Risk Management process will require external review to avoid a conflict of interests with the Audit Manager's role.

Internal Auditors will consider any potential unidentified risks during their audit work and bring any issues to the attention of management where necessary.