Appendix 1

risk management strategy

December 2018

Tewkesbury Borough Council

contents

Introduction

The purpose of this strategy is to establish a framework for the effective management of risk. This will ensure risk management is embedded within the council's systems and processes and make a real contribution to the achievement of the objectives of the council. In a corporate context, where the job of managers is to deploy and direct the resources they have been allocated so as to achieve agreed objectives, risk management is simply an intrinsic element of good, effective management.

The objectives of this strategy are to:

- Define what risk management is about and what drives risk management within the council;
- Set out the benefits of risk management and the strategic approach to risk management;
- Outline how the strategy will be implemented; and
- Identify the relevant roles and responsibilities for risk management.

Risk management is a key element of the council's overall governance and assurance framework.

What is risk management?

Risk can be defined as the possibility of something happening, or not happening, that would have an impact on the council's ability to meet its objectives. The purpose of risk management is to manage the barriers to achieving these objectives. Risk management can be defined as the process of identification, analysis, prioritisation, management and monitoring of risks, and any resulting actions, which would reduce the likelihood or impact of risk occurring. Risk management is not a new responsibility. It is simply the formalisation of what is already normal business practice. Risk management should not be a process that stifles innovation and prevents opportunism but rather one in which risks can, and should be taken, providing they are actively managed and justified.

Local and national drivers

There are a number of factors that drive risk management.

Business improvement

Effective risk management enables the council to identify, prioritise, and manage barriers in the achievement of strategic objectives. The dynamic nature of Local Government and the ongoing challenges it faces means more councils need to be risk aware rather than risk averse. The focus should be on the action taken to manage the risk, not simply reducing the risk status in accordance with an agreed risk appetite. Risk management will also support the council in taking and managing significant risks to increase confidence and ability to successfully deliver innovative and challenging projects.

Corporate governance

Risk management is a key element of the council's governance and assurance framework. The council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2015: -

"A relevant body must ensure that it has a sound system of internal control which;

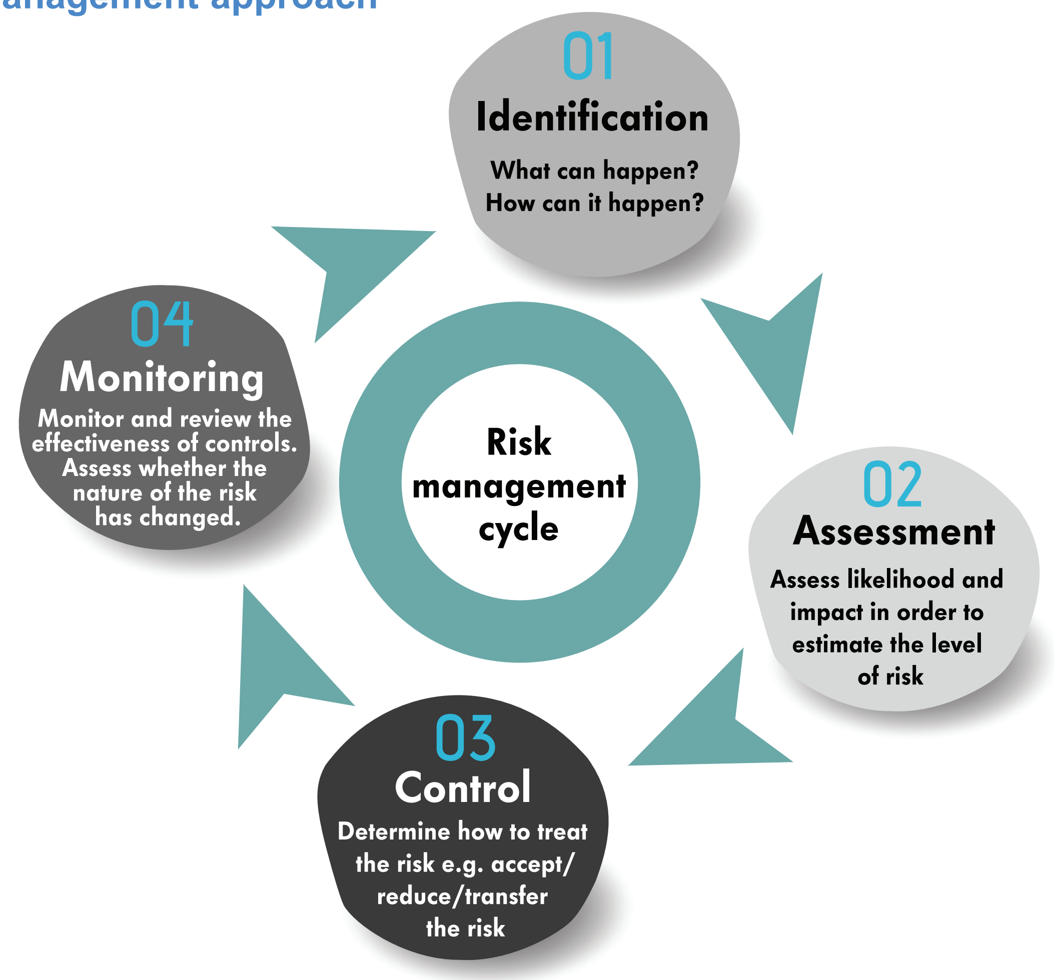
(a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b) Ensures that the financial and operational management of the authority is effective; and
(c) Includes effective arrangements for the management of risk."

This is further emphasised within the CIPFA document 'Delivering Good Governance in Local Government' (2016). This document advises upon six key principles around governance, one of which is 'managing risks and performance through robust internal control and strong public financial management'.

Civil Contingencies Act 2004

This act places a duty on councils to assess the risk of an emergency occurring and to maintain plans to ensure the council is able to perform its functions. This is a strand of risk management and the council discharges this duty through separate business continuity arrangements and its emergency plan.

Risk management approach



Risk identification

The main question here is what degree of formality needs to be employed for identifying and reporting on risk. Risk management need not be an industry and the approach should be proportionate to the size and needs of the council. On this basis, the key risks that the council could be exposed to will be captured through a corporate risk register and all key projects monitored through the project management framework will be supported with individual risk registers.

Corporate risk can be defined as an occurrence, if it came to fruition would impact significantly on one or more of the following;

- the ability to deliver corporate priorities
- fulfil a statutory duty
- comply with legislation or council policy
- loss or damage to council assets, information or reputation
- the council's financial position
- affects a multitude of services

Project risk is exposure that arises from taking on a particular task. Risk can be internal or external related and can jeopardise the delivery of the key aims of the project. This could lead to but not limited to, financial or reputational risk.

To ensure a comprehensive approach is taken to identifying potential risks it is important to consider the whole spectrum of the council's business. This should include corporate priorities as detailed within the council plan as well as underlying risks of a political, economic, technological, environmental or social (PESTLE) nature.

With regards to **operational ris**k, each Head of Service, should seek assurance from their Operational Managers that relevant operational objectives will be achieved and the risks associated with those objectives are effectively managed. This is business as usual activity and therefore risk should be managed through regular management dialogue such as team meetings and 1-2-1 meetings. There may be occasions however, where an operational type risk may need escalating for inclusion on the corporate risk register if for example, there is potential of a significant reputational impact.

Risk assessment

The purpose of risk analysis is to separate the major from the minor and to consider the consequence of each risk. Each risk needs to be prioritised according to the potential likelihood of the risk occurring and its impact if it did occur. An evaluation of the risk before management action (gross risk) and an evaluation of the risk after management action (net risk) is undertaken. The gross risk is the risk that the council is exposed to without any risk control measures being in place. The risk control measures needed to reduce the likelihood and impact of the risk should then be considered. Ideally those measures will already be in place. A risk matrix is used as guidance to determine the risk rating. Guidance on the analysis and risk rating can be found in Appendix 1.

Risk control

Most risks are capable of being managed either by taking mitigating action to reduce the likelihood or impact or both. Priority will be given to the high (red) risks which will require immediate action plans. Medium (amber) risks will require action plans and/or to be closely monitored as appropriate. Low scoring (green) risks can be accepted, however, they will need to be monitored to ensure the controls in place are effective. Generally, there are four options for controlling risk;

Risk avoidance – opting not to undertake a current or proposed activity.

Risk reduction – implementing an action (s) which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.

Risk transfer – the transfer of liability for the consequences of an event to another body. For example, to an alternative service provider or transfer of some or all of the financial risk to an insurance company. It should be remembered that some responsibility may be retained for ensuring that the risk is managed e.g. health and safety and that many risks are uninsurable.

Alternatively, there may be on occasions, where the risk is tolerated, without any mitigation.

Risk monitoring and reporting

To complete the risk management cycle, risks need to monitored and reported in a meaningful way. Risks will be reported through a corporate risk register. This register will be compiled in accordance with the risk analysis above. The risk register template can be found in Appendix 2. Each risk will be assigned to a responsible senior officer, who will be responsible for regularly monitoring the risk and implementing any mitigating actions. The register will also be monitored on a regular basis by Corporate Management Team (CMT) and presented at each Audit Committee for consideration. As the process is dynamic, the review of the register will consider any emerging risks.

In terms of describing individual risks within a risk register, best practice guidance is to describe risk using a casual statement. This is often achieved with an if/then format, such as:

If we do not achieve cost savings of 10% per annum over the next five years (cause)
Then council tax may not be contained in line with commitments (effect)

All committee reports have a standard risk implications box. Where relevant, more detailed information should be included within the main body of the report so members are fully informed of the risks associated with approving or not approving the recommendation being made.

Roles and responsibilities

Risk management is a key corporate framework and therefore by inference, it is the responsibility of all. This ensures that all levels of the council have a role in introducing, embedding and owning the risk management process. An overview of roles and responsibilities can be found in Appendix 3.

Review of strategy and process

An annual review of the risk management strategy and risk management process will be undertaken by the corporate governance group. Any significant changes that are required to either the process or strategy will be reported in the first instance to the council's Audit Committee.

Risk matrix

Impact – this is just not the impact of the risk upon the achievement of an objective, but the magnitude of the impact.

5	Extreme	Catastrophic effect upon the objective, thus making it unachievable
4	Very High	Significant effect upon the objective, thus making it extremely difficult/costly to achieve
3	Medium	Evident and material effect upon the objective, thus making it achievable only with some moderate difficulty/cost
2	Low	Small, but noticeable effect upon the objective thus making it achievable with some minor difficulty/cost
1	Negligible	Slight, but insignificant effect upon the achievement of the objective

Likelihood – this is the likelihood of the risk occurring during the lifetime of the objective

Likelihood	
5.	Almost certain
4.	Likely
3.	Moderate
2.	Unlikely
1.	Rare

How to use the matrix

If the impact of the risk on achieving an objective is determined to be extreme this will be scored a five. If the likelihood of the risk happening is almost certain this will also score a five giving a total risk score of 25 - representing a significant risk. Generally, if the current risk score is too high, further action will need to be taken to reduce the impact or likelihood including timescales for implementation. Based upon the actions to be undertaken the risk should be rescored based upon an anticipated reduction in impact and likelihood and this will create a new expected score rating. All of this scoring should be recorded in the risk register and the current rating column and expected rating column colour coded in accordance with the risk matrix below.

		LIKELIHOOD				
		RARE 1	UNLIKELY 2	MODERATE 3	LIKELY 4	ALMOST CERTAIN 5
IMPACT	EXTREME 5	5	10	15	20	25
	VERY HIGH 4	4	8	12	16	20
	MEDIUM 3	3	6	9	12	15
	LOW 2	2	4	6	8	10
	NEGLIGIBLE 1	1	2	3	4	5

Key	1- 4 Low Risk	5-15 Moderate Risk	16-25 Significant Risk

The council has a constructive approach to risk, taking it on a case by case basis. Ultimately, any decision made should be for the benefit of our residents. The council is risk aware, so being able to consider risks in a positive way, particularly given the need to consider transformational and commercial opportunities.

Risk register template

Code	Risk score	Risk Management view
Red	16 – 25	Must be managed down to reduce risk scores in the next year
Amber	5 – 15	Seek to improve the risk score in the medium term
Green	1-4	Tolerate and monitor

Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score

Group/Individual	Role / Responsibilities
All members	• To understand the corporate risks that the council faces and to oversee the effective management of these risks by officers. • To seek assurance there is full compliance with the strategy right across the organisation. • To consider the risk of approving or not approving key business decisions as set out in committee reports. • If relevant, to articulate the risk appetite of the council.
Lead Member for Corporate Governance	• To be the lead member on risk management and act as an ambassador for the promotion of risk management within the council.
Executive Committee	• In accordance with their terms of reference to fulfil the council's responsibilities in relation to risk management. • To approve the risk management strategy.
Audit Committee	• In accordance with their terms of reference to monitor the effective development and operation of risk management and corporate governance. • To review the corporate risk register. • To consider the assurance given on the council's risk management arrangements within the Annual Governance Statement (AGS).
Chief executive	• Accountable for devising a robust and defensible risk management strategy, for its implementation and for full compliance with the strategy throughout the council.
Corporate Management Team	• To develop a corporate risk register and review it on a regular basis.
Head of Service	• To support the chief executive in achieving his risk management responsibilities. • Contribute towards the identification and effective management of risks and opportunities facing the council. • To own individual risks within the relevant risk registers. • To ensure there is regular dialogue with operational managers so operational risks are effectively managed.
Operational Managers	• To cascade the principles of good risk management to their teams. • Support Heads of Service in the management of risk.
Borough solicitor (Monitoring officer)	• Chair of the corporate governance group. • To promote good governance.
Corporate Governance Group (CGG)	• To annually review and if necessary update the risk management strategy and risk management process.
Project Programme Board	• To consider and support risk management of key corporate projects.
Internal Audit	• To provide an independent review of the corporate approach and compliance with the risk management strategy. • To provide assurance to management and members as to the accuracy and integrity of the risk registers. • To provide advice on the mitigation of risk through routine audit work.

All employees	• Responsibility for identifying and managing the risks that they face on a day to day basis, and reporting these to their managers.

Mike Dawson
Chief Executive
Tewkesbury Borough Council

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