NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Audit Committee

11th December 2015

Report of the Head of Financial Services

Matter for Decision

Wards Affected: All Wards

Corporate Risk Management Policy

Purpose of Report

To present the Council's approved Corporate Risk Management Policy and for the Audit Committee to discuss and agree on how the Committee will discharge its roles and responsibilities as contained within that Policy.

Executive Summary

On the 15th July 2015, the Cabinet approved the Council's revised Corporate Risk Management Policy which promotes an open, consistent and proactive risk management attitude whilst promoting the taking of opportunities to better serve the needs of our communities.

High standards of risk management are achieved through proactive and positive leadership and the Policy clearly details the roles and responsibilities of both Officers and Members which includes a number of roles and responsibilities allocated to the Audit Committee.

Background

The Council has a duty to be efficient, transparent and accountable to local people and to observe high standards of corporate governance and management when responding to current and future economic challenges. Sound risk management has always been important, but it takes on a new prominence at this time when significant change has to be delivered at pace during times of austerity.

The Council's previous Corporate Risk Management Policy was approved by Policy & Resources Cabinet Board in September 2010. To support the roll-out of the Policy, a dedicated I.T. system was developed with the aim of facilitating the effective and efficient roll-out of the Policy. However, it became apparent the processes contained within the Policy were too onerous and this resulted in the Policy not being fully complied with.

To address the above and as part of the work to produce the Council's Annual Governance Statement for 2013/2014, the Council's Corporate Governance Group identified resources to undertake a review of the Policy during 2014/2015 and to take forward the necessary improvement work needed to provide and sustain effective corporate risk management.

On the 15th July 2015, the Cabinet approved the Council's revised Corporate Risk Management Policy which promotes an open, consistent and proactive risk management attitude whilst promoting the taking of opportunities to better serve the needs of our communities.

The benefits of the revised Policy include:

- Protection of reputation and demonstrates openness and accountability (good governance)
- Facilitates the effective recognition and management of corporate risks
- Prioritisation of those areas where there are the greatest risks
- Presents an integrated risk management framework
- Allocates clear roles, responsibilities and accountabilities
- Facilitates the efficient planning of limited resources
- Provides a basis on which the Council informs the allocation of resources to mitigate risks
- Improved ability to achieve the Council's corporate improvement objectives
- Builds on the Council's current risk management processes
- Contributes to building a risk savvy workforce and environment that allows for innovation and a responsible approach to risk taking

The Policy clearly sets out the framework within which corporate risk will be identified, managed and monitored (Page 7). To ensure high standards of risk management are achieved through proactive and positive leadership, the Policy also clearly details the roles and responsibilities for the identification, monitoring, mitigation and review of risks (Pages 13 - 15).

On page 15, the roles and responsibilities of the Audit Committee are to:

i) Review and assess the Council's corporate risk management arrangements

ii) Report and make recommendations to the Cabinet on the adequacy and effectiveness of the arrangements.

iii) Ensure the Internal Audit Action plan reflects the corporate risks identified.

The Audit Committee are invited to discuss the above roles and responsibilities and to task the Head of Financial Services to develop a work programme based on the outcomes of that discussion to ensure the Committee discharges those roles and responsibilities as contained within the Policy.

Financial Appraisal

There is no financial impact.

Equality Impact Assessment (EIA)

1. The Equality Act 2010 requires public bodies to "pay due regard to the need to:

    - Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
    - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
    - Foster good relations between persons who share relevant protected characteristics and persons who do not share it."

2. A Screening Assessment was undertaken to assist the Council in discharging its Public Sector Equality Duty under the Equality Act 2010. After completing the assessment it was determined this Policy did not require an Equality Impact Assessment.

Workforce Impact

There is no workforce impact.

Legal Impact

There is no legal impact.

Risk Management

To ensure the Council is efficient, transparent and accountable to local people and to observe high standards of corporate governance and management.

Consultation

There was no requirement to consult on this item.

Recommendations

It is recommended that Members of the Committee:

1. Note the Council's revised Corporate Risk Management Policy (July 2015).

2. Agree how the Committee will discharge its roles and responsibilities as contained within the Policy.

3. Task the Head of Financial Services to develop a work programme to ensure the Committee discharges those roles and responsibilities as contained within the Policy

Reason for Proposed Decision

To support the Council in discharging its duty to be efficient, transparent and accountable to local people and to observe high standards of corporate governance.

Implementation of Decision

For immediate implementation.

Appendices

1. The Neath Port Talbot County Borough Council Corporate Risk Management Policy

List of Background Papers

Cabinet Board 15th July 2015 – Corporate Risk Management Policy

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Appendix 1

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CORPORATE RISK MANAGEMENT POLICY

July 2015

Statement of Intent

Councils across the UK are facing tough choices. Far more will need to be achieved with far less resource as we look to meet the growing expectations of our residents whilst tackling a significant structural deficit in public finances.

We have a duty to be efficient, transparent and accountable to local people and to observe high standards of corporate governance and management when responding to these current and future economic challenges. Sound risk management has always been important, but it takes on a new prominence at this time when significant change has to be delivered at pace.

Risk management is an important aspect of corporate governance and the key to successful risk management is the provision and co-ordination of appropriate resources to enable risk management decisions to be made which are appropriate and commensurate to the level of risk.

This policy provides a systematic and focussed approach to corporate risk management which, if used effectively, will identify, control, mitigate any potential risks and enable opportunities to be confidently explored, promoting and supporting innovation.

Whilst I have ultimate responsibility for risk management within Neath Port Talbot County Borough Council by virtue of my position as Chief Executive, the Corporate Directors and their Heads of Service will ensure that their areas of responsibility are managed and resourced appropriately commensurate to the level of risk

…………………………….

Steven Phillips

Chief Executive

Contents

1. Introduction

This policy describes a structured and focussed approach to managing risks and exploiting opportunities at a corporate level.

2. Scope

This policy applies to all of the activities of the Council and builds on existing good operational risk management practices within the Council and complements the other systems of governance which form the Council's internal systems of control.

3. Definition of Risk

For the purpose of this policy, corporate risk is defined as:

"The threat that an event, action or inaction will adversely affect the Council's ability to successfully achieve its improvement objectives and deliver services"

4. Why do we need arrangements in place to manage risk?

The Council recognises that a good system of corporate governance leads to good management, good performance, good stewardship of public funds, good public engagement and ultimately good outcomes for service users and the community. Such a system enables the local authority to pursue its vision for its community effectively (as contained in the Council's Corporate Improvement Plan and the Local Service Board's Single Integrated Plan); whilst underpinning that vision with effective mechanisms for the control and management of risk. The Council is committed to ensuring a high quality of public service in the way that its carries on its business and to applying the principles set out in the CIPFA/SOLACE Guidance (including the secondary principles and best requirements) to the way in which it carries out its corporate functions in the pursuance of its corporate improvement objectives.

In 2012, CIPFA published an addendum to the document *Delivering Good Governance in Local Government: Framework* which urged local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. These arrangements include the Council's risk management policy, process and effectiveness.

The Council also has a general duty under the local Government (Wales) Measure 2009 to "make arrangements to secure continuous improvement in the exercise of its functions". In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

In addition to the above, the Wales Audit Office provides independent assurance when reviewing the Council's governance arrangements that the Council has effective and robust systems in place to manage risk.

5. Aim of the Policy

The aim of this policy is to promote an open, consistent and proactive risk management attitude which encourages and the taking of opportunities to better serve the needs of our communities within a climate of enduring austerity.

6. Benefits of the Policy

- Protection of reputation and demonstrates openness and accountability (good governance)
- Facilitates the effective recognition and management of corporate risks
- Prioritisation of those areas where there are the greatest risks
- Presents an integrated risk management framework (page 6)
- Allocates clear roles, responsibilities and accountabilities (Appendix 1- page 13)
- Facilitates the efficient planning of limited resources
- Provides a basis on which the Council informs the allocation of resources to mitigate risks
- Improved ability to achieve the Council's corporate improvement objectives
- Builds on the Council's current risk management processes
- Contributes to building a risk savvy workforce and environment that allows for innovation and a responsible approach to risk taking

7. The Council’s Corporate Performance Management Framework and Corporate Risk Management

Risk management has a strong link to performance management. If risks are not managed effectively then it is unlikely the Council will deliver its corporate improvement objectives as planned nor make the intended contribution to the long term vision for the County Borough as set out in the Local Service Board’s Single Integrated Plan – Working in Partnership 2013-2023. In addition, public sector spending decisions, coupled with increasing demands on major services such as social services and education combine to place severe pressures on the Council’s resources. This requires an unprecedented scale of change in the way the Council delivers services in order to deliver the required savings and requires budget and performance monitoring to be intensified in order to ensure service savings and cash limits are delivered to acceptable standards.

The supporting “internal” processes that the Council has in relation to delivering its improvement objectives are encompassed within the corporate performance management framework with the production of business plans and operational report cards. The Council’s business plan arrangements require each head of service to set clear priorities that will contribute to the delivery of the corporate improvement objectives and other service improvements. These arrangements also require heads of service to identify any risks associated to the delivery of those priorities and other service improvements. The links to performance management at this stage are clear: to achieve a set of priorities / service improvements, services must demonstrate they are managing associated risks.

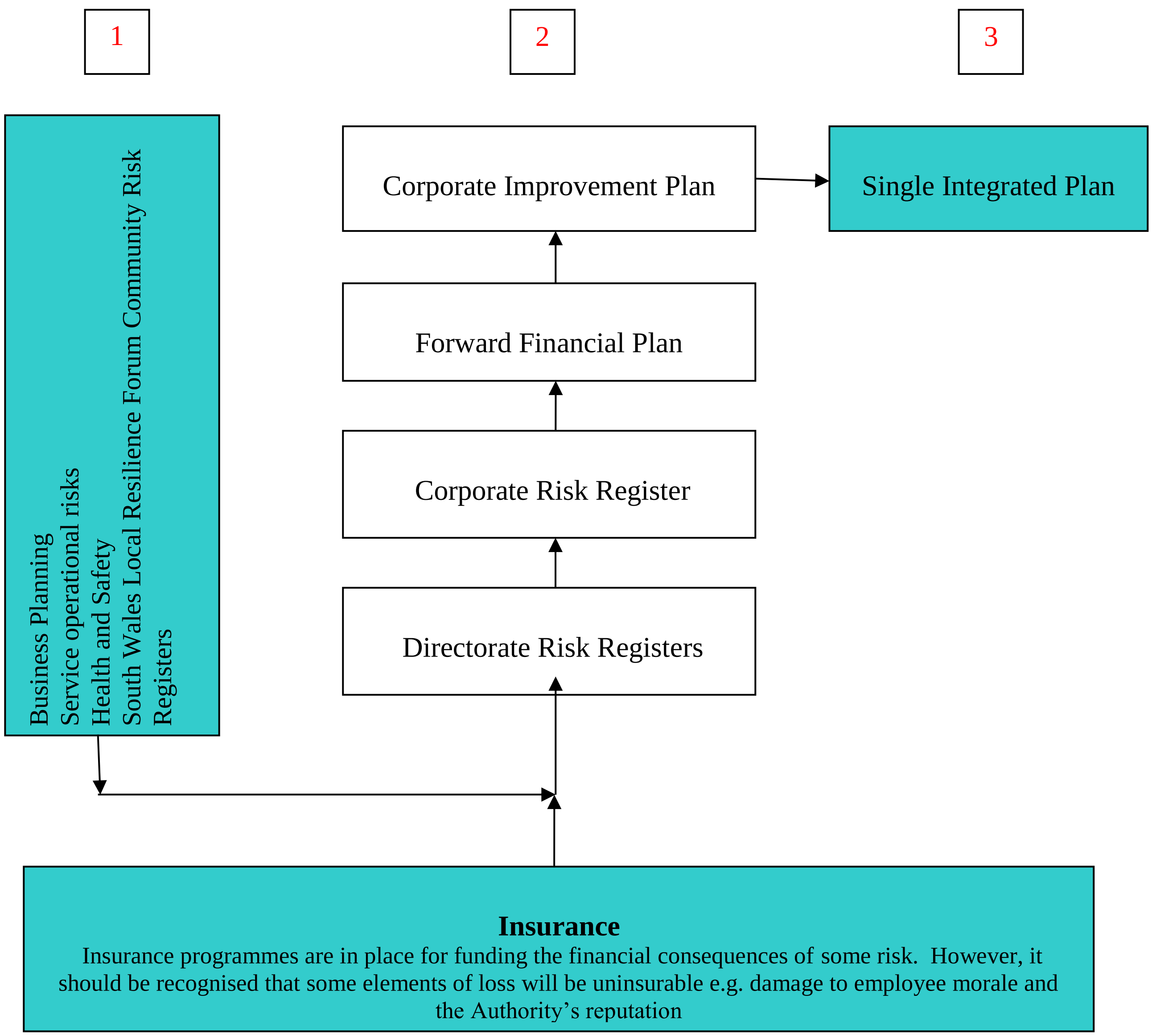
8. The Corporate Risk Management Framework

The Council’s corporate risk management framework set out in this policy is designed to ensure risk management is effective and to achieve the benefits set out earlier. Roles and responsibilities for managing risk are clearly assigned (see Appendix 1 – page 13) and the key risk management business processes are aligned in a framework to form a coherent, corporate management system.

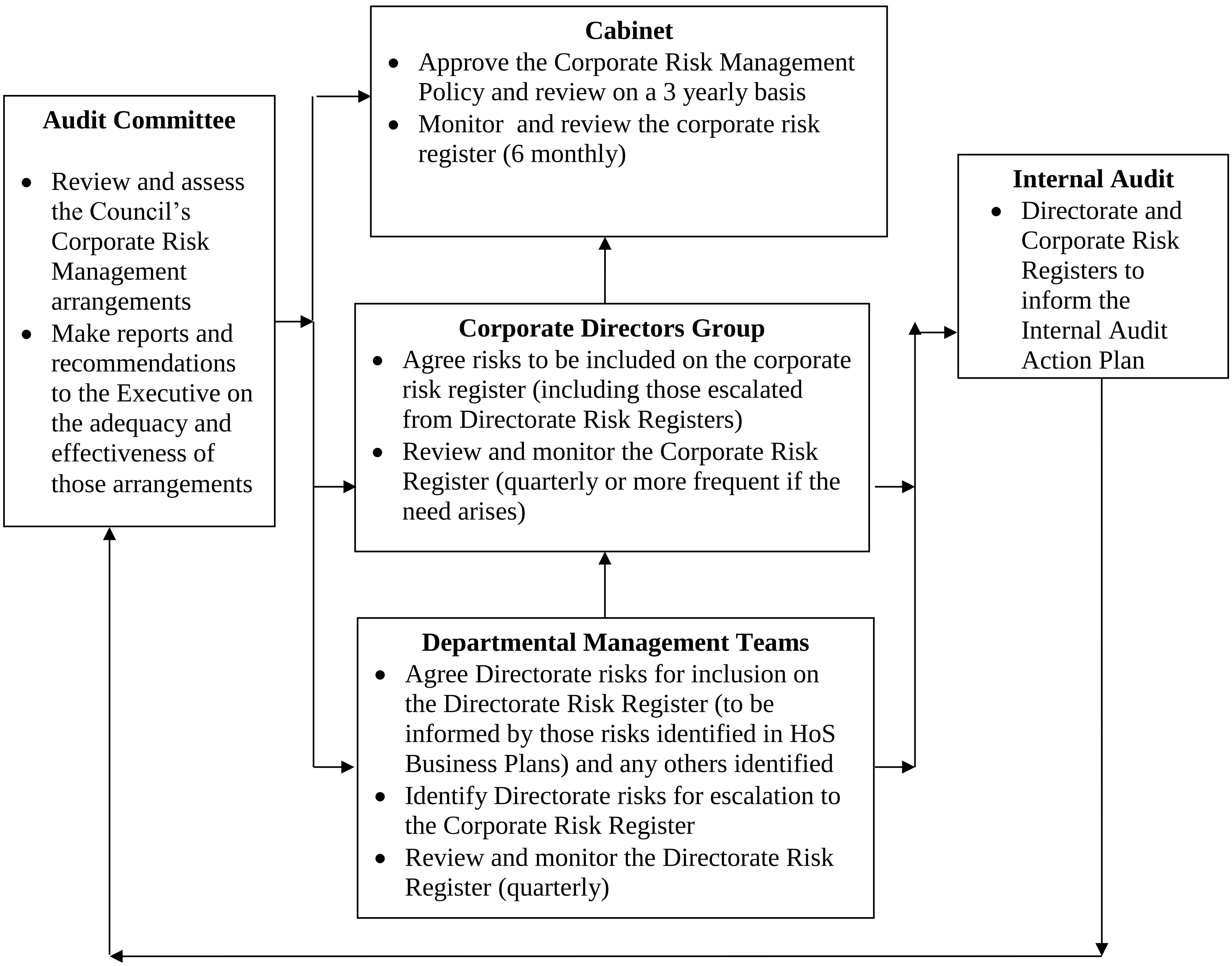
This framework (overleaf) illustrates how risk will be managed at different levels and how that information will be used to influence the Council’s corporate improvement objectives (Corporate Improvement Plan) and the allocation of resources (Forward Financial Plan).

- Stage 1 relates to service risk assessments at the operational level
- Stage 2 covers risk assessment at the corporate level which will provide information to inform both the Council's Forward Financial Plan and the Council's Corporate Improvement Plan
- Stage 3 is the mechanism by which risks can be shared with partners via the Local Service Board

The Corporate Risk Management Framework



The Corporate Risk Management Escalation / Reporting / Monitoring Framework



9. The Corporate Risk Management Process

Step 1 - Risk Identification

The Council's established key risk management processes for identifying risk are as follows:

i) The Council's Corporate Improvement Objectives

Risk management is an integral feature of the Council's programme management approach which underpins the delivery of the Council's corporate improvement priorities. Corporate Directors Group actively manages and monitors the risks associated with the delivery of the improvement objectives.

ii) Business Planning

Risk assessments are undertaken as part of the annual business planning processes.

iii) Operational Risk Management

In addition to those risk processes outlined above there are a number of service / operational risk systems e.g. Child Protection Register / MAPPA/MARAC which should inform Directorate and Corporate risk registers.

iv) Business Continuity

Business continuity management is a process which analyses the impact on a business which directly affects the services provided by the Council. Its purpose is to identify critical activities and functions that have to continue at a minimum during a disruption of service delivery or when responding to an emergency.

v) Health & Safety at Work

Processes for evaluating the risk arising from a hazard(s), taking into account the adequacy of any existing controls, and deciding whether or not the risk(s) is acceptable, are now well-embedded across the Council. External quality assurance of the Council's risk management arrangements is in place and there is clear evidence of risk being prioritised, resourced and evaluated at operational, service and corporate levels.

This policy builds upon the above existing risk management processes but introduces a consistent approach to the management of risk and describes how processes will be integrated at the Directorate and Corporate level to produce Directorate and Corporate risk registers.

Step 2 – Risk Analysis and Assessment

i) Analysis

Directorate level:
At the Directorate level, a Directorate risk register will be populated by Directorate Management Teams with the risks identified via the already established Heads of Services annual business planning process and any additional risks requiring inclusion on the Directorate risk register.

Corporate level:
At the Corporate level, a Corporate risk register will be populated by those risks identified by Directorate Management Teams for escalation from the Directorate risk registers. Corporate Directors will present their Directorate risk register to Corporate Directors Group highlighting those risks that have been identified for escalation to the Corporate Risk Register. There is an opportunity here for Corporate Directors to add any new risks to the Corporate Risk Register that have not already been identified.

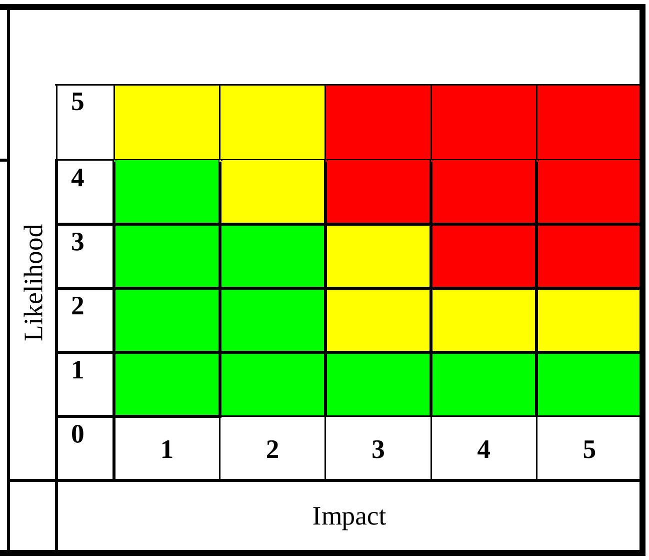
(A template for the Directorate and Corporate Risk Registers is attached at Appendix 2 – page 16)

ii) **Assessment (both Directorate and Corporate)**

This involves an assessment of the likelihood and impact of the risks that have been identified (this will have already been completed for those risks identified as part of the business planning process). This assessment is undertaken utilising the following 5x5 risk evaluation matrix (same scoring system used by heads of service in the business planning process).

5 x 5 Risk Matrix

Key	
Likelihood	**Impact***
1. Very Unlikely 2. Unlikely 3. Likely 4. Very Likely 5. Certainty	1. Low 2. Low / Medium 3. Medium 4. Medium / High 5. High



*The impact of the risk should be assessed on the basis of:

- Reputation
- Finances
- Significant service / operational change

Step 3 – Monitoring and Review of Risks

Once Corporate Directors Group (CDG) have agreed which risks are to be included on the Corporate risk register the process of reviewing and monitoring those risks will be at the corporate level (CDG). For those risks remaining on the Directorate risk register the process of reviewing and monitoring remains the responsibility of Directorate Management Teams.

Step 4 – Monitoring & Review

a) Directorate Risk Register

Directorate risk registers will be regularly reviewed and monitored (quarterly) by Directorate Management Teams. Reviews shall include evidence so as to accurately determine and measure the Directorate's performance in mitigating /

controlling the identified risks. Typical inputs include the following although this list must not be considered exhaustive:

- the extent to which the risk being controlled / mitigated
- follow-up actions from previous senior management team reviews of the register

Information shall be collated by the Directorate Management Team in advance of each monthly review to enable the Team to address the need, if appropriate, for changes to the way in which the Directorate risks are being controlled / mitigated, the resources allocated, whether any risks require escalation to the Corporate risk register, if any risks can be removed from the register or new risks have been identified to be added to the register.

b) Corporate Risk Register

The Corporate risk register will be reviewed and monitored (quarterly) by Corporate Directors Group. The review shall include the production of evidence so as to accurately determine and measure the Authority's performance in mitigating / controlling the Corporate risk register. Typical inputs include the following although this list must not be considered exhaustive:

- the extent to which the risk is being controlled / mitigated
- follow – up actions from previous reviews

Information shall be collated by Corporate Directors in advance of each review to enable the Group to address the need, if appropriate for changes to the way in which the corporate risk is being controlled / mitigated, the resources allocated, whether any risks can be removed or given back to the appropriate Directorate risk register for monitoring and review or new risks have been identified to be added to the register.

The Corporate risk register will be reported to the Cabinet on a 6 monthly basis.

10. Review

This policy will be reviewed by the Cabinet on a 3 yearly (at a minimum) basis. This review will be informed by any independent assurance reports provided by the Audit Committee on the adequacy and effectiveness of the Council's corporate risk management arrangements. The Director of Finance will also provide input to this review in respect of any changes to legislation and the working practices of the Council.

Appendix 1

Roles and Responsibilities within the Corporate Risk Management Strategy

High standards of risk management shall be achieved through proactive and positive leadership. To achieve this it is necessary to detail the organisational arrangements within which corporate risk can be managed and to specify the roles and responsibilities for the identification, monitoring, mitigation and review of risks.

The role of the Chief Executive is to:

i) Be ultimately responsible for this Corporate Risk Management Policy.
ii) Lead on the implementation of this Policy at the strategic level.
iii) Ensure Corporate Directors establish and maintain effective risk management systems and ensure the arrangements are followed as appropriate.

The role of the Director of Finance & Corporate Services is to:

i) Ensure that an effective Policy is in place to manage corporate risks.
ii) Be responsible for overseeing the implementation and continuous development of the Policy, the Corporate Risk Register and associated procedures.

The role of Corporate Directors' Group is to:

i) Monitor and review the approach proposed in relation to corporate risk management and propose any improvements to the Director of Finance & Corporate Services.
ii) Monitor and review on a quarterly basis the Corporate Risk Register.
iii) Identify any emerging corporate risks and address them by identifying future mitigating actions.
iv) Allocate sufficient resources to address corporate risks.
v) Utilise the Corporate Risk Register when setting the Council's corporate improvement objectives and updating the Forward Financial Plan.
vi) Create an environment and culture where risk management is promoted, facilitated and appropriately undertaken within the Council.

vii) Report 6 monthly to Cabinet on the progress made in controlling and mitigating corporate risks.
viii) Promote and embed the Corporate Risk Management Policy into the day to day decision making process and culture within Neath Port Talbot County Borough Council.

The role of Directorate Management Teams is to:

i) Monitor and review respective Directorate Risk Registers on a quarterly basis.
ii) Utilise the Directorate Risk Registers in the planning of future service delivery.
iii) Identify any emerging directorate risks and address them by identifying future mitigating actions.
iv) Identify those significant Directorate risks to be escalated up to the Corporate Risk Register
v) Promote and embed the Corporate Risk Management Policy into the day to day decision making process and culture within Neath Port Talbot County Borough Council

The role of all staff:

i) To manage risk effectively in their job

The role of Internal Audit is to:

Function as "an independent, objective assurance and consulting activity" designed to add value and improve the Council's corporate risk management operations. It will assist the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The framework for monitoring and reviewing the Council's corporate risks will contribute to the development of the Council's Internal Audit annual audit plan

Elected Members:

The role of Cabinet is to:

i) Approve the Corporate Risk Management Policy and its review on a 3 yearly basis (at a minimum).

ii) Monitor and review the Council's Corporate Risk Register on a six monthly basis.

The role of Audit Committee is to:

iv) Review and assess the Council's corporate risk management arrangements

v) Report and make recommendations to the Cabinet on the adequacy and effectiveness of the arrangements.

vi) Ensure the Internal Audit Action plan reflects the corporate risks identified.

The role of all Members is to:

i) Assist in the provision of risk management direction for the Council and ensure the corporate risk management policy is implemented

Appendix 2

Blank Directorate / Corporate Risk Register

No	Risk description	L'hood score	Impact score	Overall Risk (LxI)	Proximity *	Planned action to mitigate	Target Date	Owner	Update	Trend - Up - Down - No change

*Proximity - Risks are assessed in terms of proximity i.e. when the risk would occur. Estimating when a risk would occur helps prioritise the risk.

The proximity scale to be used is:

1. zero to one year
2. one year to two years
3. two years to three years
4. three years plus