Neath Port Talbot County Borough Council

Risk Management Policy

Statement of Intent

The Council has a duty to be efficient, transparent, accountable to local people and to observe high standards of corporate governance. Risk management is an important aspect of corporate governance. The key to successful risk management is effective risk identification and measurement, coupled with the application of suitable resources and strategies to address the risks identified, within the Council's risk appetite.

This policy provides a systematic and focused approach to corporate risk management which underpins the delivery of the Council's Corporate Plan and associated activities.

Cllr R G Jones
Leader of Council

Version No 1
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Introduction

1. The Council is committed to the management of risk in order to:

   - Meet statutory duties;
   - Safeguard stakeholders to whom the Council has a duty of care;
   - Support delivery of the Council's Corporate Plan and associated priorities;
   - Protect physical and information assets and identify and manage potential liabilities;
   - Ensure effective stewardship of public funds, securing value for money for the public purse;
   - Preserve and protect the reputation of the Council; and
   - Build a risk savvy workforce where innovation and a responsible approach to risk taking is part of its culture.

Aim

2. The aim of this policy is to promote an open, consistent and proactive risk management attitude which encourages the taking of opportunities to better serve our communities within the resources available to the Council.

Scope

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

Definition of Risk

4. For the purpose of this policy, 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."*

Risks are categorised as "strategic risks" or "operational risks":

Strategic Risks: Risks which may threaten the achievement of an organisation's longer term strategic goals and objectives and are often the responsibility of Senior/Executive Management to monitor and report on.

Operational Risks: Risks which affect the organisation at the business unit or department level.

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 wider community. Such a system enables the Council to pursue its vision for its community effectively.

Vision

"We want our county borough to be a place where everyone has an equal chance to get on in life – a place where people want to live, learn and work and bring up their family.

We want our beautiful natural environment and our rich cultural and industrial heritage to be appreciated and protected for many future generations to enjoy. We also want to pursue new and existing opportunities for economic growth so we can sustain our diverse communities for many years to come."

Effective risk management is also promoted through:

Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance – in 2012, CIPFA published an addendum to its report "*Delivering Good Governance in Local Governance: 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. This should include how the effectiveness of their governance arrangements in the year have been monitored and evaluated whilst also setting out any planned changes in the next period. The governance statement includes the Council's risk management policy, processes and their effectiveness.

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

The Well-being of Future Generations (Wales) Act 2015 (statutory guidance) emphasises the importance of considering long term risks that will affect the delivery of the Council's services and outcomes for our communities. The sustainable development principle should be used to frame the risks that we have identified in the short, medium and long term and, through the steps we have said we intend to take to meet our well-being objectives, we should demonstrate that risks are well managed.

Where should risk management be applied?

Risk management should be embedded in a range of processes:

- Include risk assessments in decision making reports. There is a standard heading within the Council's corporate template for reporting risk assessments related to the topic being reported;

- Maintain risk registers for all functions, partnership, contracts, programmes and projects;

- Include progress made in implementing the risk management policy and in particular progress made in addressing risks assigned to particular officers within performance reviews;

- Include risk assessments and key actions into business planning and corporate planning activities; and

- Identify risks associated with budget savings, new income generation activities and other financial proposals.

The Council's Corporate Risk Management Framework

The Council's Corporate Risk Management Framework set out in this policy is designed to ensure risks are identified, analysed and evaluated and managed at the right level in the Council.

Stage 1 – relates to risk identified within services and functions

Stage 2 – covers risk assessment at the strategic level which will provide information to inform both the Council's Forward Financial Plan and the Council's Corporate Plan.

Stage 3 – is the mechanism by which risks can be shared with partners via the Public Services Board.

Figure 1 – Risk Management Framework

Stage 1

Business planning
Operational risk management
Health and safety risk management
South Wales Local Forum – Community Risk Register

Stage 2

Corporate Plan

Forward Financial Plan

Strategic Risk Register

Operational Risk Register

Stage 3

Public Services Board Well-being Plan

Insurance

Insurance arrangements are in place for funding the financial consequences of some risks. However, it should be recognised that some elements of loss will be uninsurable e.g. damage to employee morale and the damage to the Council's reputation.

Escalation, Reporting, Monitoring Arrangements

Cabinet

- Approves the Risk Management Policy
- Reviews the Policy every three years
- Monitors the most significant risks on the risk registers every six months

Cabinet Boards

- Review the medium and high Operational Risks within the purview of the Board on a six monthly basis

Audit Committee	Corporate Directors Group (CDG)	Internal Audit
• Reviews the risk management arrangements • Makes reports to the Executive on the adequacy and effectiveness of arrangements	• Agree risks to be places on the Strategic Risk Register • Reviews and monitors the Strategic Risk register quarterly • Reviews the highest operational risks on the Operational Risk Register quarterly	• Uses the strategic and operational risks identified in the risk registers to inform the Internal Audit Plan

Directorate Management Teams

- Agree risks to be included on the Operational Risk Register
- Identify risks that are suitable for inclusion on the Strategic Risk Register to CDG
- Review and update the Operational Risk Register quarterly

Scrutiny Committees

- Select risks for scrutiny and make recommendations to the Executive

Risk Appetite

Risk appetite is defined as “the level of risk that the Council and its leadership team are willing to take on, accept, tolerate or be exposed to in pursuit of the Council’s objectives.”

When deciding our risk appetite, we will consider the options available to us, the risks that we can take and those which we need to avoid or reduce as a priority.

The Council is a complex organisation and it is important to understand that the Council’s risk appetite may be different in some areas than in others. The risk management framework has therefore been designed to ensure that risk appetite for the most significant risks identified is determined by the Cabinet acting together.

The risk registers provide a mechanism for capturing risk appetite for individual risks and to ensure that all risks are being managed within limits that have been assessed and determined as being acceptable.

Risk Management Process

<u>Step 1 – Risk Identification</u>

Risks can be identified through a range of different mechanisms. Some of the main methods that will be used include the following processes:

- **Corporate Planning** – risks that could impact on the Council’s ability to deliver its vision and well-being objectives will be set out in the Corporate Plan;

- **Business Planning** – risks that could impact on the achievement of the service/function will be identified within the business plans;

- **Operational Practice** – risks identified through, for example, child protection practice, MAPPA, MARAC, adult safeguarding etc will inform the identification of risk within the operational and strategic risk registers;

- **Business Continuity and Emergency Planning** – critical activities and functions that have to continue as a minimum during the disruption of service delivery or when responding to an emergency will be identified within business continuity and emergency plans;

- **Health and Safety at Work** – processes for evaluating the risks arising from hazard(s) taking into account the adequacy of any existing controls, and deciding whether or not the risk(s) is/are acceptable, are embedded across the Council. External quality assurance of the arrangements are routinely undertaken to ensure risks are being prioritised, resourced and evaluated at operational, service and strategic levels;

- **Technical briefings, national reports and best practice** – are important sources to identify new/emerging risks that may be relevant within the Council's local circumstances; and

- **Analysis of lessons learned, previous losses, complaints, events, incidents** – are all valuable sources of evidence to draw upon when considering risk.

Step 2 – Analysis and Assessment

Once identified, risks should then be assessed as to their likelihood and consequences of occurrence, existing controls in operation and the extent to which further mitigating action is needed. See Figure 2 for details.

We should consider first the **inherent** risk – this is the risk we have assessed in its uncontrolled state, before any current controls have been considered. Once we have an assessment of the inherent risk we then need to assess the value of existing controls in order to arrive at a current/residual risk score.

Having arrived at the residual risk, consideration then needs to be given as to whether further actions are needed and whether the risk should be contained within the operational risk register or escalated to corporate directors to assess whether the risk should be contained within the strategic risk register.

There are three main courses of actions to consider when deciding on further mitigation:

> **Accepting** the risk – this is when it is considered that no further action is necessary to manage the risk beyond the routines that are already in place and subject of monitoring;

Treating/controlling the risk – this will be appropriate when it is considered the risk is not within tolerance and needs to be reduced to a more acceptable level;
Transfer the risk – this might be through insuring the risk through the Council's insurers, transferring service delivery to another organisation;

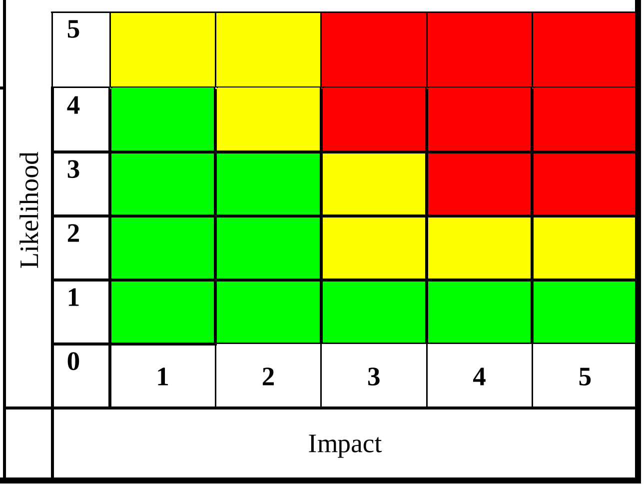
Operational Risk Analysis – each directorate management team is responsible for identifying risks to be entered onto the Operational Risk Register, supported by the performance management support officer. This work will be informed by the processes described in Step 1. Directorate management teams will also identify risks to the Corporate Directors' Group that may be suitable for inclusion on the Strategic Risk Register.

Strategic Risk Analysis – The Corporate Directors' Group is responsible for identifying risks that should be contained in the Strategic Risk Register. The Strategic Risk Register will set out the main risks to the delivery of the Council's services. The Corporate Directors Group will be responsible for advising the Cabinet on the strategic risks facing the Council.

Figure 2 Risk Matrix
The risk assessment is undertaken utilising the following 5x5 risk evaluation matrix:

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

The table below provides a framework for scoring the likelihood / Impact of risk occurring:

Likelihood	Description (% = guidelines)	Score	Impact	Description	Score
Very Unlikely	• 0 to 10% chance of occurrence • Has rarely / never happened before • Exceptional circumstances	1	**Low**	• No financial loss • Negligible loss, delay or interruption to services • Can be easily and quickly remedied	1
Unlikely	• 10% to 40% chance of occurrence • Not expected to happen but is possible • Once in 3 or more years	2	**Low / Medium**	• Minor financial loss (i.e. up to £500K) • Minor loss, delay or interruption to services (i.e. 0 - 6 months) • Short term impact on operational efficiency and performance • No external interest	2
Likely	• 40 to 60% chance of occurrence • May occur at some time (i.e. within this financial year)	3	**Medium**	• Medium financial loss (i.e. £500K - £3M) • Significant loss, delay or interruption to services (i.e. 6 - 12 months) • Medium term impact on operational efficiency and performance • May attract short-term attention of legislative or regulatory bodies	3

Likelihood	Description (% = guidelines)	Score	Impact	Description	Score
Very Likely	• 60 to 90% chance of occurrence • Circumstances occasionally encountered but not a persistent issue (e.g. once every couple/few years) • Has happened elsewhere within the UK in the last decade	4	**Medium / High**	• Major financial loss (i.e. £3M - £10M) • Major loss, delay or interruption to services (i.e. 1 - 2 years) • One off event that could destabilise the Council • Widespread medium to long term impact on operational efficiency, performance and reputation • Will attract medium-term attention of legislative or regulatory bodies	4
Certainty	• 90 to 100% chance of occurrence • Is expected to occur in most circumstances frequently encountered: daily / weekly / monthly / annually • Imminent / near miss	5	**High**	• Huge financial loss (i.e. £10M +) • Total sustained loss, delay or disruption to services (i.e. 2years+) • Long term impact on operational efficiency, performance and reputation • Serious breach, national impact with rapid intervention of legislative or regulatory bodies	5

Step 3 – Monitoring and Review

At least once a quarter, each operational risk will be reviewed and updated. Residual risks which carry a medium or high rating will be formerly considered at directorate management team meetings where the necessity for further mitigation is to be considered. Following consideration at the management team meetings, risks which continue to carry a high score must be escalated to the Corporate Directors Group.

Corporate Directors' Group will review entries on the strategic risk register at least quarterly. Risks will be revised in light of progress made in mitigating those risks. Corporate Directors Group will also consider high risks escalated from directorate management teams. In considering escalated risks, corporate directors will consider whether further mitigation is required and whether the risks escalated should remain in the operational register or should be placed on the Strategic Risk Register.

The Strategic Risk Register will be reported by the Corporate Directors Group to the Cabinet on a six monthly basis.

The medium and high risks contained in the Operational Risk Register will be reported to the relevant cabinet boards on a six monthly basis by the relevant head of service/director.

It is recognised that there will be times when events can materialise that will required a more agile response. To ensure that such events routinely trigger a review of the Operational or Strategic risk registers, risk management will be a standing item on all management meetings across the Council.

Roles and Responsibilities

High standards of risk management shall be achieved through proactive and positive leadership:

The role of Cabinet is to:

a) Approve the Corporate Risk Management Policy;

b) Set the risk appetite for the Council;

c) Ensure decisions taken by the Cabinet explicitly consider risk and ensure that Council's risk appetite is not exceeded;

d) Review the Policy on a three yearly cycle; and

e) Monitor and review progress in addressing identified Strategic risks on a six monthly basis.

The role of each Cabinet Board is to:

a) Review operational risks scored as medium or high on a six monthly basis.

The role of the Cabinet Member with lead responsibility for Risk is:

a) To promote risk management within the Council's corporate and service priorities;

b) To promote a culture of responsible risk management;

c) To raise awareness amongst elected members of the importance of risk management;

The role of Audit Committee is to:

a) Review and assess the Council's risk management arrangements;

b) Report and make recommendations to the Executive on the adequacy and effectiveness of the arrangements; and

c) Ensure the Internal Audit Annual Plan takes account of the contents of the risk register.

The role of Scrutiny Committees is to:

a) Challenge the Cabinet that risks have been managed within the Council's risk appetite and that risks have been appropriately identified and considered in decision making.

The role of all elected members is to:

a) Contribute to providing leadership for risk management across the Council and ensure the corporate risk management policy is implemented.

The role of the Chief Executive is to:

a) Lead on the implementation of this Policy at the corporate level;

b) Establish effective risk management systems and ensure they are implemented by Council staff; and

c) Ensure staff are trained to operate the policy and associated procedures competently.

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

a) Raise the profile of risk management and promote the responsibility and accountability of all Members and Officers within the Council.

b) Lead on updating and maintaining this policy

The role of the Corporate Directors Group is to:

a) Monitor and review the approach proposed in relation to risk management and propose any improvements;

b) Monitor and review the Strategic Risk Register on a quarterly basis;

c) Identify emerging strategic risks and address them by identifying appropriate mitigating actions;

d) Allocate resources to address Strategic Risks;

e) Use the Strategic Risk Register when developing the Council's corporate objectives and financial plans;

f) Review operational risks that have a "high risk" score;

g) Create an environment and culture where risk management is promoted, facilitated and competently performed;

h) Report six monthly to Cabinet on the progress made in controlling and mitigating strategic risks; and

i) Promote and embed the Corporate Risk Management Policy into the day to day decision making processes and culture within the Council.

The role of directorate management teams is to:

a) Monitor and review operational risk register entries on a quarterly basis;

b) Use the operational risk register when planning future services/functions;

c) Identify emerging risks which need to be placed on the operational risk register, appropriate mitigating actions and resources;

d) Identify those risks that are suitable for inclusion on the Strategic Risk Register;

e) Promote and embed the Corporate Risk Management Policy into the day to day decision making processes and culture of services/functions.

The role of the Corporate Governance Group is to:

a) Plan and oversee any improvement work needed to the Council's arrangements for risk management that might be identified by the Audit Committee, the Council's internal and external auditors or otherwise;

b) Arrange training for officers on the operation of this Policy; and

c) Ensure there is an accurate description of the Council's arrangements for risk management within the Corporate Governance Statement.

The role of all staff is to:

a) Manage risk effectively in their day to day work.

The role of the Internal Audit Service is to:

Function as "an independent, objective assurance and consulting activity" designed to add value and improve the Council's 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 risks will contribute to the development of the Internal Audit Service Annual Plan.

Policy Review

This policy will be reviewed at least every three years.