

Agenda Item No:	7	
Committee:	Audit and Risk Management Committee	
Date:	14 March 2022	
Report Title:	Risk Management Policy and Strategy Review	

1 Purpose / Summary

- 1.1 To provide an update to the Audit and Risk Management Committee on the latest Risk Management Policy and Strategy.

2 Key Issues

- 2.1 The Council's Risk Management Strategy ensures the effective maintenance of a risk management framework by:-
- embedding risk management across core management functions;
 - providing tools to identify and respond to internal and external risk;
 - linking risks to objectives within services and regularly reviewing these.
- 2.2 The Audit and Risk Management Committee has asked that the Council's Risk Management Policy and Strategy is reviewed and presented to it annually.
- 2.3 The latest Risk Management Policy and Strategy (**Appendix A**) is attached to this report.

3 Recommendations

- 3.1 The latest Risk Management Policy and Strategy is agreed as attached at Appendix A to this report.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Chris Boden – Leader and Portfolio Holder for Corporate Governance
Report Originator(s)	Stephen Beacher – Head of ICT, Digital & Resilience
Contact Officer(s)	Paul Medd – Chief Executive Peter Catchpole –Corporate Director & Chief Finance Officer Stephen Beacher – Head of ICT, Digital & Resilience
Background Paper(s)	Previous reviews of the Risk Management Policy and Strategy: minutes of Audit and Risk Management Committee

1 Background / Introduction

- 1.1 This is the latest annual update in respect of the Risk Management Policy and Strategy.

2 Considerations

- 2.1 The Council has seven considerations when considering risk:-
- Performance – can we still achieve our objectives?
 - Service delivery – will this be disrupted and how do we ensure it continues?
 - Injury – how do we avoid injuries and harm?
 - Reputation - how is the Council's reputation protected?
 - Environment – how do we avoid and minimise damage to it?
 - Financial – how do we avoid losing money?
 - Legal – how do we reduce the risk of litigation?
- 2.2 Members and Officers share responsibility for managing risk:-
- Members - have regard for risk in making decisions
 - Audit and Risk Management Committee – oversee management of risk
 - Corporate Management Team – maintain strategic risk management framework
 - Risk Management Group – Lead Officers across the Council promote risk management and a consistent approach to it
 - Managers – identify and mitigate new risks, ensure teams manage risk
 - All staff – manage risk in their jobs and work safely.

3 Changes to the Risk Management Policy and Strategy

- 3.1 The Risk Management Policy and Strategy has been reviewed by the Corporate Risk Management Group and Corporate Management Team.
- 3.2 There are a number of additions to this latest document, including:
- Definitions of 'Risk' and 'Risk Management'.
 - Risk Appetite and Tolerance Levels
 - Risk Analysis and Scoring
 - Risk Control
- 3.3 Other minor amendments have been made to ensure the document is current and relevant.

4 Next Steps

- 4.1 Officers will continue to bring a reviewed and updated Risk Management Policy and Strategy to Audit and Risk Management Committee on an annual basis.

5 Conclusions

- 5.1 The risk management process provides assurance for the Annual Governance Statement, which is substantiated by reports from the Council's External Auditors in their issuance of an unqualified audit opinion.
- 5.2 Regular review (and updating as appropriate) of the Risk Management Strategy and Corporate Risk Register will further build the assurance required above.

Risk Management Policy and Strategy

March 2022



Draft

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1 Policy Statement

- 1.1 It is the Council's policy to proactively identify, understand and manage the risks involved in service delivery, and those associated with our plans and strategies, to encourage responsible and informed risk-taking.

2 What is Risk?

- 2.1 Risk is the uncertainty of an event occurring that could have an impact on the achievement of the Council's key objectives.
- 2.2 Risk can arise from possible threats to objectives, as well as failure to take advantage of potential opportunities.
- 2.3 It is the combination of the probability of an event (likelihood) and its effect (impact).

3 What is Risk Management?

- 3.1 Risk Management is the process of understanding and managing the risks that an organisation is inevitably subject to in attempting to achieve its corporate objectives.
- 3.2 It is the process whereby the Council methodically addresses those risks or barriers to achieving its vision and objectives.
- 3.3 Effective risk management optimises the balance between risk and control. In this way the authority will better achieve its corporate objectives and enhance the value of services it provides to the community.

4 Aim of the Strategy

- 4.1 The aim of the strategy is to make risk management an integral part of management and decision-making, aligned with the structure, operations, and processes of the Council.

5 Strategy Objectives and Outcomes

- 5.1 The objectives of this strategy are to:
- ensure risk management remains an integral part of service, strategic and project planning, and decision-making
 - manage risks to facilitate innovation, continuous improvement, and service transformation
 - establish clear roles, responsibilities and reporting lines for risk management

- anticipate and respond to changing social, environmental, and legislative needs as well as changes in the internal environment to minimise injury, damage and losses and maximise opportunity
- ascertain and manage the likelihood and impact of risk, identify mitigating controls, and assign responsibility for control and monitoring of specific risks
- provide a framework for escalating management of risk and allocating resources to identified priority risk areas
- maintain effective partnership arrangements by ensuring that risk management is part of the Council's partnership governance arrangements
- enable shared learning on risk management across the authority
- review the strategy and processes for risk management at least annually

5.2 The direct outcomes of effective risk management will be:

- effective use of resources
- informed decision making
- successful and efficient delivery of projects
- effective response to changes demands and needs
- responsive performance management and identification of priorities
- sound systems of control
- accountability and responsibility for risk and control
- sound workforce planning
- integrated responses to risk and opportunities

6 Risk Appetite and Tolerance Levels

6.1 Risk appetite and tolerance is the amount of risk an organisation is prepared to accept, or be exposed to, at any point in time. It can indicate where action is required to reduce risk to an acceptable level plus opportunities for positive outcomes which can be monitored.

6.2 The Council has adopted the approach and definitions used by CIPFA and the Institute of Risk Management:

Risk Appetite

'The amount of risk an organisation is willing to seek or accept in the pursuit of its long-term objectives'.

An example may be consideration of the funds or resources that an organisation is prepared to invest in a venture where success is not guaranteed but that would yield benefits.

Risk Tolerance

'The boundaries of risk taking outside which the organisation is not prepared to venture in the pursuit of its long-term objectives'.

An example may be a Treasury Management Strategy that rules out certain types of investment options.

- 6.3 Typically an individual's perception of an acceptable risk is the same irrespective of which definition is used. Differences may occur where risks cannot be controlled or eliminated. For example, political and legislative change is an external driver which cannot be fully mitigated. In this instance the risk tolerance, and ability to manage the risk, may be greater than risk appetite.
- 6.4 It is recognised that the tolerance or appetite is subjective and may change according to the environment, and the internal / external drivers. Consequently, it is important, regardless of the terms used, that everyone has a consistent approach to risk taking to prioritise resources effectively.
- 6.5 The Council's risk appetite is set by the Corporate Management Team (CMT) and is reviewed periodically. This provides guidance to everyone on acceptable levels of risk taking to encourage a consistent approach to risk management.
- 6.6 Different risk appetites can be illustrated on a five-by-five matrix using three levels: high, medium and low. The Council is risk aware and the current level is determined by CMT as medium. This provides guidance that any inherent risk scored at 15 or greater is to be considered for the Corporate Risk Register.
- 6.7 Once controls are in operation the risks can be scored again to illustrate the residual risk.

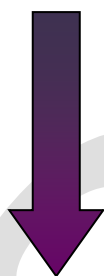
7 Risk Identification

- 7.1 The framework of Risk Management will ensure that risks are identified during both strategic and operational activity in respect of corporate and service priorities, project management, decision-making and policy setting, financial and performance monitoring, and planning.
- 7.2 Risk identification will include partnership working and commissioning. To manage risks effectively the Council will:
 - provide assurance that risks associated with working in partnership will be identified, prioritised, and appropriately managed
 - ensure partnerships have effective risk management procedures in place for all parties.

8 Risk Analysis and Scoring

- 8.1 Once the risks have been identified they will need to be assessed.
- 8.2 The Council has adopted a consistent scoring mechanism for all risk identification, as it enables identified risks from other systems to be escalated to the Corporate Risk Register.
- 8.3 This process requires risk owners to assess the level of risk by considering:
- The probability of an event occurring – (Likelihood)
 - The potential severity of the consequences should such an event occur – (Impact)
- 8.4 The risk score is calculated by multiplying the 'likelihood' score by the 'impact' score:

IMPACT	
Score	Classification
1	Insignificant
2	Minor
3	Moderate
4	Major
5	Catastrophic



LIKELIHOOD	
Score	Classification
1	Highly unlikely
2	Unlikely
3	Possible
4	Probable
5	Very likely

8.5 The impact and likelihood of risks is scored with regards the below levels:

Score	1	2	3	4	5
Criteria	Insignificant impact	Minor impact	Moderate Impact	Major Impact	Catastrophic Impact
Performance	Objectives still achieved with minimum extra cost or inconvenience	Partial achievement of objectives with compensating action taken or reallocation of resources.	Additional costs required and or time delays to achieve objectives – adverse impact on PIs and targets.	Unable to achieve corporate objectives or statutory obligations resulting in significant visible impact on service provision such as closure of facilities.	Unable to achieve corporate objectives and/or corporate obligations.
Service Delivery	Insignificant disruption on internal business – no loss of customer service.	Some disruption on internal business only – no loss of customer service.	Noticeable disruption affecting customers. Loss of service up to 48 hours.	Major disruption affecting customers. Loss of service for more than 48 hours.	Loss of service delivery for more than seven days.
Physical	No injury/claims.	Minor injury/claims (first aid treatment).	Violence or threat or serious injury/claims (medical treatment required).	Extensive multiple injuries/claims.	Loss of life.
Reputation	No reputational damage.	Minimal coverage in local media.	Sustained coverage in local media.	Coverage in national media.	Extensive coverage in National Media.
Environmental	Insignificant environmental damage.	Minor damage to local environmental.	Moderate local environmental damage.	Major damage to local environment.	Significant environmental damage attracting national and or international concern.
Financial	Financial loss < £200,000	Financial loss >£200,000 <£600,000	Financial loss >£600,000 <£1,000,000	Financial loss >£1,000,000 <£4,000,000	Financial loss >£4,000,000
Legal	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges

8.6 Both inherent and residual risk scores should be identified to assist in the effective review and monitoring of the controls in place.

8.7 The residual scores are then plotted onto the heat map within the corporate risk register.

9 Risk Control

- 9.1 Action to address significant and material risks must be disclosed in Service Plans and agreed by the Corporate Management Team and the Audit and Risk Management Committee, where appropriate.
- 9.2 Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur.
- 9.3 There are 3 main options for controlling risk:
- **Risk avoidance** involves the Council opting not to undertake a current or proposed activity because it is considered to be too risky.
 - **Risk reduction** is dependent on implementing mitigating actions which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.
 - **Risk transfer** involves transferring liability for the consequences of an event to another body
- 9.4 Most risks can be managed either by minimising the likelihood of the risk occurring and / or reducing the severity of the consequences should the risk occur. Relatively few risks must be avoided or transferred.
- 9.5 Managers must judge which courses of control action are the most appropriate to address each of the risks they have identified, taking advice where appropriate.

10 Monitoring, Reporting and Escalation

- 10.1 A key element of effective risk management is the on-going vigilance and the communication and escalation of risk information to the appropriate management level.
- 10.2 The framework for the reporting and escalation of risk within the Council is based on the organisational structure and normal reporting lines.
- 10.3 Risk owners, along with the Corporate Risk Management Group, will monitor the current assessments of risks as frequently as dictated by changing circumstances.
- 10.4 The Corporate Management Team will be provided with periodic updates on the status of significant risks as part of financial and performance monitoring reports. Likely risk impacts will be quantified at the earliest opportunity.
- 10.5 Audit and Risk Management Committee will receive an update on the current risk position at least bi-annually.

11 Annual Review and Assurance Statement

- 11.1 As part of the annual reporting process, the Corporate Management Team will perform an annual review of the effectiveness of the Council's corporate governance arrangements, including its risk management and internal controls processes over the prevailing financial year.
- 11.2 The outcome of this review will be reported to the Audit and Risk Management Committee and will form the basis of an assurance statement to be published annually in accordance with best practice.

12 Roles and Responsibilities for Managing Risks

Group	Role
Elected Members	Ensure that risks are taken into consideration for Committee and Council decisions.
Audit & Risk Management Committee (ARMC)	Receive risk management reports and take appropriate action to ensure that corporate business risks are being actively managed including reporting to full council at least annually on its assurance work. The Chairman of Audit & Risk Management Committee will receive reports of exceptional risks throughout the year as appropriate.
Corporate Management Team (CMT)	Maintain a formal framework for the management of risks in terms of operational and strategic risks and opportunities.
Corporate Director & Chief Finance Officer	Monitor and promote effective application of strategic risk management across the authority and direct the Risk Management Group as required. Provide awareness and training on Risk Management to Members and Staff as appropriate.
Corporate Risk Management Group (CRMG)	Provide support for the delivery of the risk management strategy across the Council. Promote and advise upon risk management practices across all services of the Council and help to develop a consistent and effective approach to risk management is adopted within relevant Council management functions.

<p>Head of ICT, Digital & Resilience</p>	<p>Monitor and promote effective application of operational risk management across the authority and support the CRMG as required.</p> <p>Provide awareness and training on risk management to Members and staff as appropriately identified via inductions and development programs.</p> <p>Receive intelligence of potential risks and consider the appropriate route for escalation.</p> <p>Inform CMT and the Chairman of ARMC of risks requiring attention.</p> <p>Recommend to CMT and ARMC changes to the Risk Management Framework to maintain its effectiveness.</p>
<p>All Managers</p>	<p>Ensure that risk is managed effectively in each service area in accordance with the corporate framework and to act as a conduit to ensure that the specialist advisers and the CRMG are made aware, as appropriate, of the significant risks faced and the actions proposed.</p> <p>Manage risk effectively in their service areas and to report on how major hazards and risks have been / are being managed.</p>
<p>All Staff</p>	<p>Manage risk effectively in their job and report material hazards / risks to their service managers.</p> <p>Undertake their job with the highest regard for safety, regulatory and policy guidelines, practices, and procedures.</p>