

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

meeting date: 28 SEPTEMBER 2022
title: DRAFT RISK MANAGEMENT POLICY
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1. PURPOSE

- 1.1. To ask Members to consider and approve the updated and revised Risk Management Policy.
- 1.2. Relevance to the Council's ambitions and priorities:
 - Community Objectives – none identified.
 - Corporate Priorities – a well-managed Council.
 - Other Considerations – none identified.

2. BACKGROUND

- 2.1. A comprehensive review of the Policy has been undertaken and Members are asked to consider the revised Policy attached at Annex A for approval.

3. INFORMATION

- 3.1. The Council is committed to leading the organisation forward to deliver a quality service and achieve excellent results, thereby ensuring that it delivers the best service possible, in the right place, and makes the very best possible use of public funds. It will use the risk management processes outlined in this Policy as a means to help achieve this.
- 3.2. Risk management is central to the effective running of any organisation and is part of the organisational culture. At its simplest, risk management is good management practice and should not be seen as an end, but as part of an overall management approach. The Council will ensure that decisions made on behalf of the organisation are taken with consideration to the effective management of risk.
- 3.3. This Policy identifies those individuals with responsibilities in the management of risk covering strategic and organisational risk. It sets out the key risk management structures and processes and defines the objectives of and responsibility for each of these within the Council.
- 3.4. This is a full review of the previous policy document and therefore tracked changes have not been able to be used.

4. RISK ASSESSMENT

- 4.1 The approval of this Policy may have the following implications:
 - Resources – None.
 - Technical, Environmental and Legal – None.
 - Political – None.
 - Reputation – The Council must ensure that it has a sound system of internal control in place. Transparency in our procedures can only enhance the Council's reputation.
 - Equality & Diversity – None.

5. RECOMMENDED THAT COMMITTEE

5.1 Note the amendments and approve the Risk Management Policy.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA19-22/RP/AC
16 September 2022

BACKGROUND PAPERS

None

Risk Management Policy

September 2022



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

| Document Control | |
|--|--|
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| Replaces/ dated: | Previous Risk Management Policy dated 2017 |
| Author(s) Job Title: | Internal Audit Manager |
| Ratifying Committee: | Accounts & Audit Committee |
| Director/ Sponsor: | Director of Resources |
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| Additional Readers: | All Staff |
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| Date for review: | September 2023 |

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1. Introduction

The Council is committed to leading the organisation forward to deliver a quality service and achieve excellent results, thereby ensuring that the organisation delivers the best service possible, in the right place, and makes the very best possible use of public funds. It will use the risk management processes outlined in this Policy as a means to help achieve this.

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling them or responding to them.

The Council is committed to using a systematic/ holistic approach to risk management and recognises that the proactive and continuous management of risk is essential to the efficient and effective delivery of its service aims and objectives and that all actions contain inherent risks.

Risk management is central to the effective running of any organisation and is part of the organisational culture. At its simplest, risk management is good management practice and should not be seen as an end in itself, but as part of an overall management approach. The Council will ensure that decisions made on behalf of the organisation are taken with consideration to the effective management of risk.

This Policy identifies those individuals with responsibilities in the management of risk covering strategic and organisational risk. It sets out the key risk management structures and processes and defines the objectives of and responsibility for each of these within the Council.

Risk Management Objectives

The Council's risk management objectives have been set to take account of the internal and external strategic influences and the requirements detailed in this document.

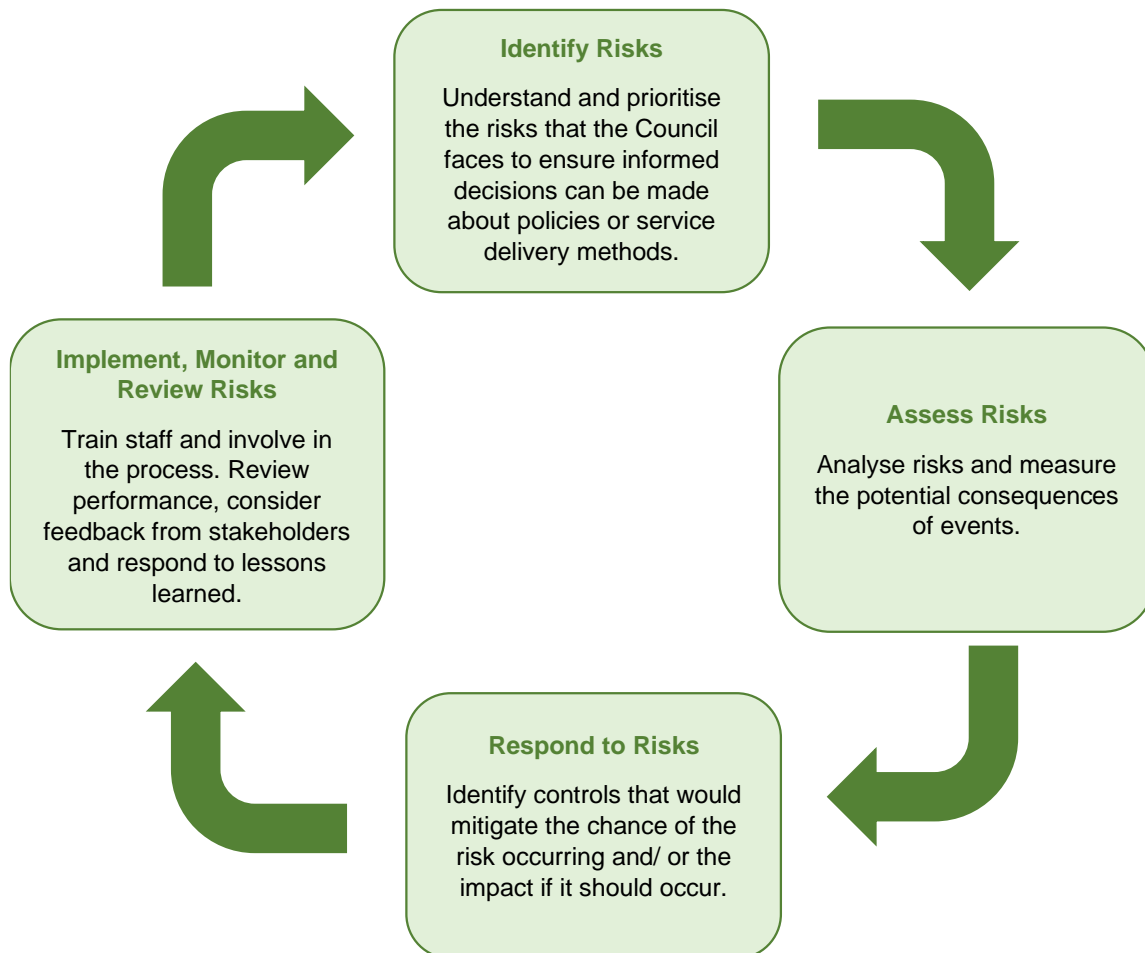
- Embed risk management into the culture of the Council so that it is an integral part of the Council's management systems and processes.
- Maintain systems and processes to manage risk and contribute to good corporate governance through accurate, relevant and timely reporting on risk management.
- Maintaining clear roles and responsibilities regarding risk management, including business continuity management.
- Develop and disseminate best practice in the management of risk.
- Equip Members and officers with adequate skills and expertise to manage risk effectively as appropriate to their role.

Risk management is an active process that requires the co-operation of all staff. Thus, the management of risk is not the responsibility of any one person or group, but the responsibility of every individual in the Council.

This Policy is intended for use by all directly employed, agency staff and contractors engaged on Council business in respect of any aspect of that work.

2. Risk Management Process

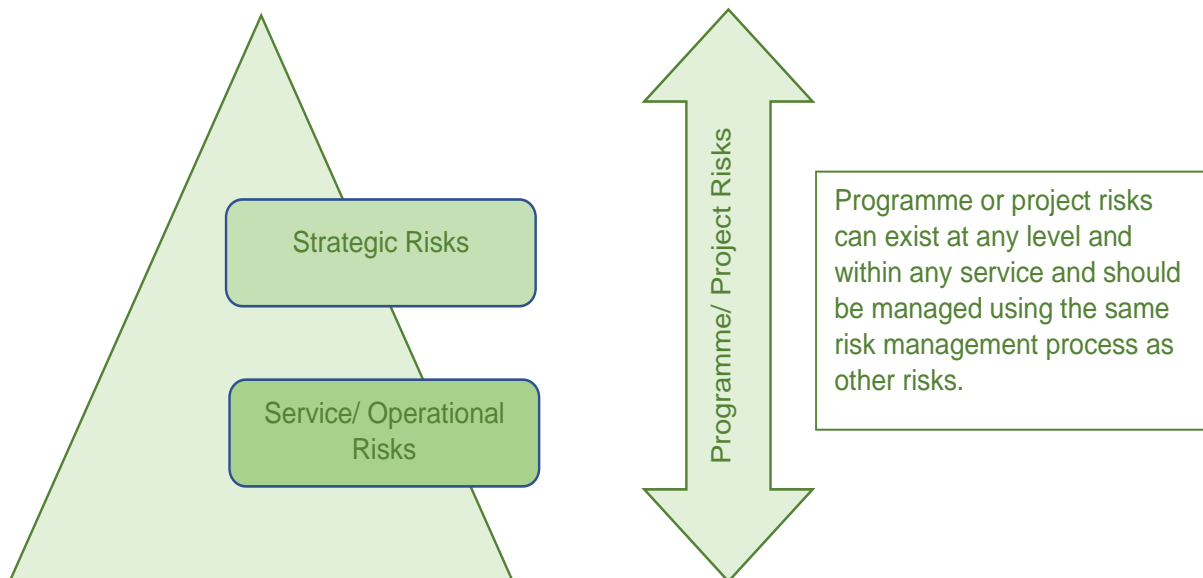
The Council's overarching risk management process ensures that risks are identified, assessed, controlled, and when necessary, escalated on a continuous cycle. These main stages are carried out through:



This Policy contains a structure of delegated responsibility for implementing risk management systems within the organisation. These are illustrated and explained in detail in Section 3 and involves all levels of the organisation.

Risk Management Levels

Individual members of the Corporate Management Team (CMT) are responsible for the Council's strategic risks, and these are reviewed and updated regularly. Service/ operational level risks are owned by Directors and/ or Heads of Service and are discussed and reviewed at Heads of Service meetings. Most of our risks are service or operational level risks that are owned by an appropriate person, usually a manager, with specialist knowledge of the area. These are managed on a day-to-day basis as part of business-as-usual activity.



3. Accountabilities, Responsibilities and Duties

All members of staff have an individual responsibility for the management of risk. All levels of management must understand and implement the Risk Management Policy and supporting processes and provide support and guidance to their staff in undertaking their duties.

An outline of the specific risk management responsibilities relating to the structure is described in the following sub-sections.

Council and Committee Duties and Responsibilities

The Council/ service committees

- Ensure consideration of risk in agreeing the Council's direction of travel.
- Responsibility for setting corporate policy.
- Agree and oversee the delivery of the Risk Management Policy.
- Review the Strategic Risk register regularly.
- Challenge decisions made by officers where risks have not been considered properly.
- Request risk report information for areas in line with their service committee responsibilities and provide assurance to Accounts & Audit Committee.

Accounts & Audit Committee

- To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- To monitor progress in addressing risk-related issues reported to the committee on a **bi-annual** basis.
- Approve and monitor a risk-based audit programme.

Individual Responsibilities

Corporate Management Team

- Set the tone from the top and promote the benefits of risk management.
- Discuss and review the Strategic Risk Register and associated reports on a **monthly** basis.
- Work with Heads of Service to identify new or emerging strategic risks.
- Ensure full compliance with all corporate governance requirements, including the production of the Annual Governance Statement, and communicate it to the elected Members.

Directors

- Ensure there are effective risk management arrangements in their services in line with the Risk Management Policy.
- Take ownership for risks within their departments and ensure risk registers, risk assessments including project and partnership registers, are regularly discussed, reviewed, updated and escalated as appropriate.
- Identify cross cutting risks which impact on the achievement of service objectives.
- Ensure Service risk registers and mitigating actions are reported to CMT **monthly**.
- Risk implications of all new business change proposals are satisfactorily taken into account.

Heads of Service

- Ensure that risk management within their area of responsibility is implemented in line with this Policy.
- Take ownership for the risks within their department, ensuring the risk register is discussed **monthly** (including as part of the performance appraisal process), reviewed and updated and identifying analysing, prioritising and managing risk within the service as part of the business planning process.
- Ensure that all strategic risks are aligned to corporate objectives.
- Escalate operational risks up to the strategic level when required.
- Ensure mitigating actions are carried out and controls are in place.

All staff

- Manage risk as part of their role and report risks to their managers.
- Develop understanding and become familiar with the Risk Management Policy.
- Maintain awareness of risks, their impact, including costs, and feed these through the adopted risk management process.

4. Risk Appetite

The Council recognises risk is inherent in the provision of its services, and therefore a defined approach is necessary to identify risk context, ensuring that the organisation understands and is aware of the risks it is prepared to accept in the pursuit of the delivery of the corporate aims and objectives.

The Council's Risk Appetite Statement makes clear the expectations in relation to the category of risks they expect the organisation's management to identify, and the level of such risk that is acceptable. The statement is based on the premise that the lower the risk appetite, the less the Council is willing to accept in terms of risk and consequently the higher levels of controls that must be put in place to manage the risk. The higher the appetite for risk, the more the Council is willing to accept through established systems of internal control and will not necessarily seek to strengthen those controls. Risk Appetite will therefore be set at one of the following levels:

| Risk Appetite | What it means |
|-------------------|---|
| No Appetite | We are not prepared to accept uncertainty of outcomes for this type of risk. |
| Low Appetite | We accept that a low level of uncertainty exists but expect that risks are managed to a level that may not substantially impede the ability to achieve objectives. |
| Moderate Appetite | We accept a moderate level of uncertainty but expect that risks are managed to a level that may only delay or disrupt achievement of objectives but will not stop their progress. |
| High Appetite | We accept a high level of uncertainty and expect that risks may only be managed to a level that may significantly impede the ability to achieve objectives. |

5. Risk Assessment and Management Processes

Risk Management System

Risk owners are required to enter perceived and real risks onto the Risk Management System (Pentana). This process ensures the Council maintains Service (local) and Corporate Risk Registers, underpinning the organisation's overarching Strategic Risk Register. The compilation and maintenance of an up to date and comprehensive Corporate and Strategic Risk Register is one of the key elements of the Council's Risk Management Policy.

The risk management system is an electronic database that holds the main record of all identified risks to Council's objectives and operations. These risks are recorded within individual risk registers allocated to Services and risk owners.

Each of these Risk Registers are dynamic documents readily accessible to all staff with risk management roles. Risk registers contain individual risks which are given a target and current risk rating (which is dynamically updated) along with relevant controls, assurances, gaps and mitigating actions. Actions are detailed to reduce the risk to the lowest acceptable level, or to a level determined as acceptable by CMT, and these are included within their relevant risk register. All identified risks will be monitored and reviewed on a continuous basis by CMT and/or Committees.

Regular review and updating of all Risk Registers is a routine part of the risk management process. This ensures that new risks that arise will be identified and risks that are no longer relevant can be closed. The aims of the Corporate and Strategic Risk Registers are:

- **Strategic Risk Register:** Risks that need to be taken into account in judgements about the medium to long term goals and objectives of the Council.
- **Corporate Risk Register:** Risks encountered in the everyday work of managers and staff.

Risk Analysis/ Assessment

For every decision or activity there is an associated risk that delivery will not take place. We determine an inherent and a residual risk score by assessing the likelihood and potential impact of each strategic and Service risk using the standard scoring matrix set out in annex A. The results will be recorded in the relevant risk register.

There are two components to the risk assessment; likelihood and impact. Example descriptors for assessing the likelihood and impact scores for risks and opportunities are set out in the Matrix. The complete risk management assessment calculates inherent (or gross) risk and residual risk. These are calculated as follows:

Likelihood score x Impact score = Total risk score

For each scenario the two risk scores will be calculated and documented:

Inherent Risk

An assessment of the likelihood and impact of the risk scenario occurring if no controls were in place regarding the activity. This score serves as a baseline measurement of the severity of the specific risk facing the Council due to a particular threat.

Residual Risk

To offset the inherent risk identified the Council applies controls to reduce it. Residual risk is the perception of the current situation. It is an assessment of the likelihood and impact of the risk identified at that time, with the current mitigating controls in place after evaluating the adequacy and effectiveness of the existing controls or measures identified. These controls must already exist and be operating to control or mitigate the risk identified. They must not be planned or in progress.

The difference between the inherent and residual scores represents the effect of the controls in place and demonstrates their value. It acts as evidence when considering if all the controls identified are required. It may be identified where risks are over controlled and resources can be freed up.

Target Score

This is the level of risk that is aimed for when taking into account the risk actions that have been identified and the Council's risk appetite in respect of the area/activity concerned. This should be realistic and recognise that it is difficult to be able to reduce both the likelihood and impact scores. If this is the same as the residual risk score no further action is required and the risk can be accepted. If the risk is not at an acceptable level further actions should be identified to reduce the risk to the target score.

Risk Monitoring

Risk management is an on-going process and requires regular review and monitoring. This process will examine:

- the implementation of agreed actions.
- the effectiveness of the controls that have been put in place.
- how the risk has changed over time.

Where changes have occurred, the cycle will be revisited taking into account the changes and their impact on the service. The effectiveness of any control action will be judged on the basis of its success in either reducing the frequency and/or the severity of an incident.

Review and Reporting

Risk owners present the Strategic Risk Register and high-level Corporate Risk Register to CMT on a monthly basis.

Reports are sent to Accounts & Audit Committee bi-annually informing them on the progress to date with regards risk management. Other service committees identified as 'lead' committees will be provided with relevant risk registers to ensure appropriate oversight. These committees will further provide assurance to the Accounts & Audit Committee on how risks have been managed throughout the year.

6. Communicate and Consultation

Copies of this Policy are available on both the Intranet and Internet. Step by step notes for updating risks on Pentana are held on the Intranet. Increasing risk awareness is a very important part of implementing the risk management strategy as it helps to develop a risk management culture. One to one training is provided to new responsible risk owners.

Any comments or feedback in respect of this document or our risk management process are always welcome and can be addressed to:

| | |
|---|---|
| Ruth Parker Internal Audit Manager Council Offices Church Walk Clitheroe Lancashire BB7 2RA | Jane Pearson Director of Resources Council Offices Church Walk Clitheroe Lancashire BB7 2RA |
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Annex A: Risk Matrix

A risk matrix is a key tool used to analyse the probability and impact of a risk. The Council uses a 5X5 risk matrix, with the score determined by multiplying the 'likelihood' score with the 'impact' score. Scoring risks allows them to be compared with other risks and enables risk owners to prioritise and allocate more resources to those risks posing the greatest threat to the organisation's objectives.

Once completed the risk profile will clearly illustrate the priority of each risk scenario. The categories available are green (low risk, residual score 1-6), amber (medium risk, residual score 8-12) or red (high risk, residual score 15-25). A target risk score is also identified. This is the level of risk we are aiming for when any actions identified are completed.

| | | IMPACT | | | | |
|------------|--------------------|--------------|-----------|--------------|-----------|--------------|
| | | Marginal (1) | Minor (2) | Moderate (3) | Major (4) | Critical (5) |
| LIKELIHOOD | Almost Certain (5) | 5 | 10 | 15 | 20 | 25 |
| | Likely (4) | 4 | 8 | 12 | 16 | 20 |
| | Possible (3) | 3 | 6 | 9 | 12 | 15 |
| | Unlikely (2) | 2 | 4 | 6 | 8 | 10 |
| | Very Unlikely (1) | 1 | 2 | 3 | 4 | 5 |

Green risks sit within our level of risk tolerance, amber risks sit above our level of risk tolerance but remain within an acceptable level and red risks sit above our acceptable level. If the residual risk score is considered too high, actions are required to change the way we manage the likelihood or impact of the risk. There are four options:

Treat: Introduce additional suitable and proportionate controls or actions to reduce the likelihood or impact of the risk to an acceptable level or establish a contingency to be enacted if the risk materialises.

Tolerate: Take an informed decision to accept the consequence and likelihood of the risk accepting the existing level of risk identified, subject to regular monitoring arrangements by management. Actions may not be able to be implemented due to disproportionate cost compared to the benefit obtained, or it is out of the Council's control.

Terminate: An informed decision to not become involved in a risk situation, stop the activity that gives rise to the risk or carry out the activity in a different way to ensure that controls can be implemented.

Transfer: Pass the risk to a third party who shares or bears the impact if the risk materialises, through contracts, insurance or other means.