Risk Management Policy

Peterborough City Council

Purpose: To provide clear evidence of the effective operation of a Risk Management Policy and the organisations role in implementing the process.

Document Control

Title:	Peterborough City Council Risk Management Policy			
Synopsis:	This document outlines the effective operation of a Risk Management Policy and the organisations implementation of the process.			
Status:	Final v4.8			
Date:	September 2015			
Document Owner(s):	Corporate Management Team (CMT)			
Author(s):	Kevin Dawson			
Change Control:	Version ID	Date of Issue	Change Description	Author
	0.1	Oct 2012		Kevin Dawson
	0.2	19 Oct 2012	Consultation with Internal Audit	Kevin Dawson
	0.3	5 Nov 2012	Consultation with Audit Committee	Kevin Dawson
	0.4	10 June 2013	Revisions following discussions with C Exec & Operations director	Kevin Dawson
	0.5	20 May 2014	Revisions following Zurich review	Kevin Dawson
	0.6	30 Dec 2014	Revisions to incorporate PCC annual statement of risk appetite	Kevin Dawson
	0.7	31 March 2015	Risk Appetite statement added as Appendix D.	Kevin Dawson
	0.8	2 Sept 2015	Risk appetite statement following review of Corporate Risk Register	Kevin Dawson

Version ID	Date of Submission	Submitted to	Approval and Sign Off
1.0	13 November 2012	CMT	Not signed off and further discussions to be held with Chief Executive
2.0	11 June 2013	CMT for approval	09 July 2013 Kevin Dawson
3.0	20 May 2014	CMT for approval	27 May 2014 CMT members
4.0	31 March 2015	CMT for approval	31st March 2015 CMT Members

Introduction

This document sets out the risk management policy for Peterborough City Council.

Risk Management Vision

Peterborough City Council is committed to effective risk management arrangements as a means of supporting the achievement of the Council's strategic objectives.

The risk management vision is to consolidate and improve our risk management arrangements to bring the following benefits:

- Better **communication** vertically about key issues, early and often, and horizontally, learning lessons and reducing duplication of effort

- **Consensus** about the main risks in different parts of the organisation

- **Confidence** that the key risks are recognised and are being managed, both by the Council and its partners.

- **Clarity** and focus: directing resources to risks that matter away from risks that don't, and fewer surprises.

- **Taking more risks and exploiting opportunities,** because they are understood and managed.

Risk Management Principles

The Council's approach to risk management is built on the following principles:

- The political leadership and senior management of the Council are **committed** to effective risk management
- Risk management operates within a culture of **transparency** and **openness**; we encourage risks to be raised and escalated as appropriate
- Risk management arrangements are **dynamic**, flexible and responsive to developments
- The process of risk management is simply a means to ensure appropriate action to take opportunities and mitigate risks
- The risk management process must be consistent, clear and straightforward and result in timely information that helps informed decision making
- Risk management is **integrated** with other key business processes such as planning, decision making, performance management and programme management
- Risk management has links to many other management disciplines and we encourage sharing of information and joint working as necessary
- The risk management approach is also beneficial in managing any risks associated with the delivery of opportunities.

Risk Management Framework

The Council's Risk Management Framework is described below and shown in the diagram in **Appendix A** (Risk Management flowchart). The Process sets out the overall arrangements for the operation of risk management at Peterborough; it therefore encapsulates the risk strategy of the organisation. An action plan will be put in place to ensure that this strategy is delivered, and this will be monitored by Audit Committee.

The Council is working towards greater synergy between Risk Management and Planning and Performance Management arrangements to assess performance in terms of its compliance with the organisations risk appetite.

The internal audit team provides assurance on the adequacy of Risk Management arrangements to the Audit and Accounts Committee, as shown in Appendix C (attachment required).

The table below sets out the framework and the expectations of its key elements:

Organisational Risk Management Arrangements	
Element	**Peterborough's expectation**
Cabinet	• Considers risk in its planning decisions; • Sets the overall risk appetite for the organisation; • Monitors the performance of management in mitigating strategic risks; • Makes decisions with due regard to risk considerations.
Lead Member for Risk Management	• Champions the operation of effective risk management operations at Council.
Scrutiny	• Holds Members and Officers to account for effectiveness of risk management in decision making and achievement of objectives
Corporate Management Team (CMT)	• Owns and leads the corporate risk management process; • Reviews and challenges the Corporate Risk Register on a quarterly basis; • Receives urgent risk reports as necessary • Individually, arranges for quarterly review of Directorate level risk registers.
Lead Officer for Risk Management	• Acts as a champion for risk management within the organisation
Members of Corporate Management Team	• Review and challenge their respective risk registers on a quarterly basis and more often if appropriate.
Risk Owners	• Accountable for determining and implementing the action required to manage risks and opportunities; • Review and report on effectiveness of actions on a quarterly basis.
Project and Programme Sponsors, Procurement leads. (Business Transformation)	• Ensure risk registers are used to record and manage risk at programme and project level; • Ensure risks are escalated into the corporate risk management process as necessary
Managers/Heads of Service	• Are alert to risks arising from business as usual and manage and escalate these as necessary.

Risk Management support, guidance, challenge, policy and strategy, co-ordination	
Element	**Peterborough's expectation**
Resilience Service	• Implements the overall risk management strategy and approach, in consultation with key stakeholders; • Works to increase awareness of the importance of risk management; • Supports the risk escalation and reporting process, in particular the Corporate Risk Register; • Maintains an oversight of risk issues across the organisation, reviewing, challenging and identifying trends and advising CMT accordingly.
Audit Committee	• Oversees the implementation of the organisation's risk management strategy; • Acts as a communication and challenge mechanism for risk issues across the organisation, reviewing, challenging and identifying trends and advising Executive / Corporate Directorate Management Teams accordingly; • Review and challenge Service and Corporate Directorate risk registers on a rotational basis.
Risk Group	• Co-ordinate and implement the Service / Corporate Directorate risk management strategy in line with the overall organisational approach; • Work to increase awareness of the importance of risk management across their area; • Support the risk escalation and reporting process, in particular, maintain and update the Service and Corporate Directorate Risk Registers; • Monitor and report on any necessary action to implement risk control measures. • Challenge and support managers to ensure the effectiveness of the risk management process in their area.

Assurance, oversight, policy & strategy approval	
Element	**Peterborough's expectation**
Audit Committee	• Oversee the risk management arrangements in place within the organisation • Monitor the effectiveness of risk management processes and culture; • Holds managers to account for risk mitigation work;
Internal Audit	• Uses intelligence on risk to inform the audit planning approach; • Gives assurance on the effective management of risk to senior managers, the Audit and Accounts Committee and other bodies as necessary. • Examination of corporate risk registers as part of the planning during the audit process

The Risk Management Process

Risk identification, assessment and recording

At whichever level it is operated, the standard risk management process involves four key stages:

- Identify key risks: use the standard risk register template to record these; use the risk category prompts/service plans to assist the identification of risk;
- Analyse the risk to assess the likelihood of it occurring and the impact should it occur using the standard corporate impact and likelihood criteria (if appropriate these can be modified in discussion with the Business Transformation Team); use the standard risk register to record this;
- Take action to control the risk; contingency plan for risk exposure/occurrence; record details in the standard risk register template.
- Review and report upon progress on a quarterly basis.

Risks can be identified, assessed and included on the appropriate risk register at any time in the year.

Risk Registers

The Council adopts a consistent approach to risk registers:

- They are owned and maintained at the following levels:

  - At CMT and Executive Directorate level (each Corporate Managerial Team member therefore having a risk register)
  - For projects and programmes, in line with guidance provided by the Business Transformation Team
  - For significant value contracts above European Union thresholds
  - For any other area identified as necessary as approved by Cabinet, for example, for a financial recovery plan.

- They are held on a universal spreadsheet template **(Appendix C)** using the corporate risk scoring approach.

Escalation of Risks

Where it is considered that a risk cannot be effectively mitigated by a risk owner it will be important to escalate this up the risk hierarchy as shown in **Appendix B** (Risk Management Process).

Risk Appetite

The risk appetite is the level of likelihood/impact, whether it is stated financially or otherwise, above which it is judged that a risk requires direct and urgent management action (please refer to Appendix D). To determine the risk appetite consider:

- capacity to manage the risk should it occur;

- potential impacts upon service delivery and financial resources;

- capacity to take action to reduce / remove the risk;

- the effect that managing one risk may have on another.

The corporate risk appetite applies to Corporate Management Team level risks and to Strategic Risks and is applied at all times. The corporate risk appetite is set by CMT by the approval of the council's

annual statement of risk appetite which confirms the appropriate level of risk that the Council is willing to take in order to achieve its desired aims and objectives.

Risk Review and Reporting

Departmental Risk Registers will be reviewed by individual DMT's on a quarterly basis and more often if appropriate. After this review the Risk Group will meet to share updates on the development of risks and of mitigating action. Based on this discussion the Lead Officer will prepare an update report for CMT which will then be used to inform the quarterly review of the Corporate Risk Register.   The report will cover:

- Progress of risk management action plans

- Risks managed down to acceptable levels

- Significant emerging risks, their severity/likelihood score and what action is to be taken.

- Project risks impacting on both Strategic and Departmental Risk Registers

The Corporate Risk Register will be updated as necessary by CMT and departmental risk register holders will be advised accordingly.

Areas for Review and Development

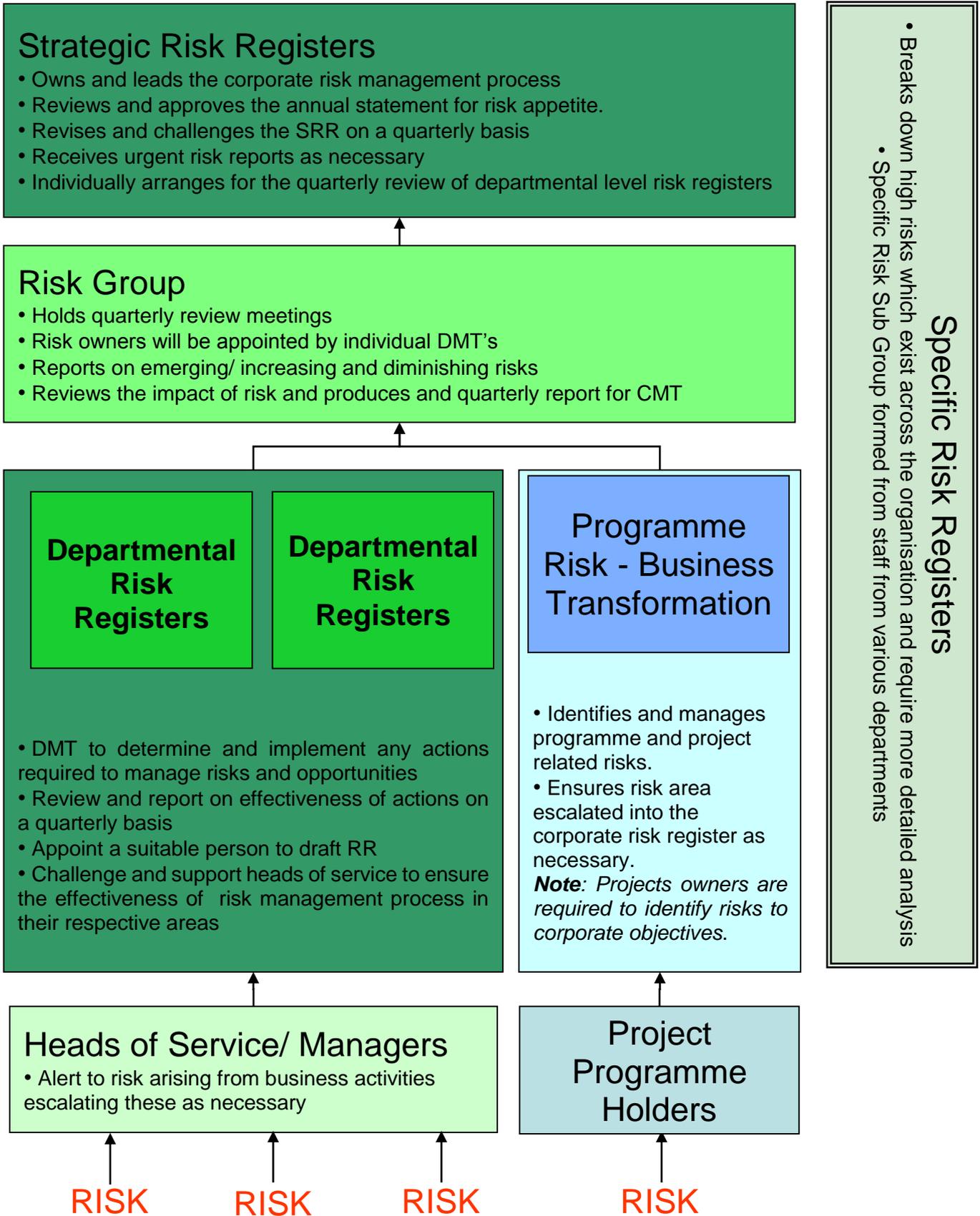|	
Role of Risk Group	• Ensure that the team acts successfully to challenge and support risk management and to identify key issues for escalation
Risk Reporting	• Assessing the opportunities for reviewing Service Plans/VERTO project management system for risk reporting
Standardisation and consistency	• Ensuring the quality of risk registers included quality of risk description
Ensuring action to mitigate risks	• Review the management action arrangements
Embedding risk management into key business processes	• Ensuring risks are considered as part of integrated planning and performance reporting • Ensuring risks relating to decisions are clearly presented
Promote the updated approach	• Approval by CMT; visits to DMTs; support and advice
Role of Members	• Offering training aimed at ensuring members understand the risk management process and expectations upon officers

Appendices

Appendix A: Risk Management Framework
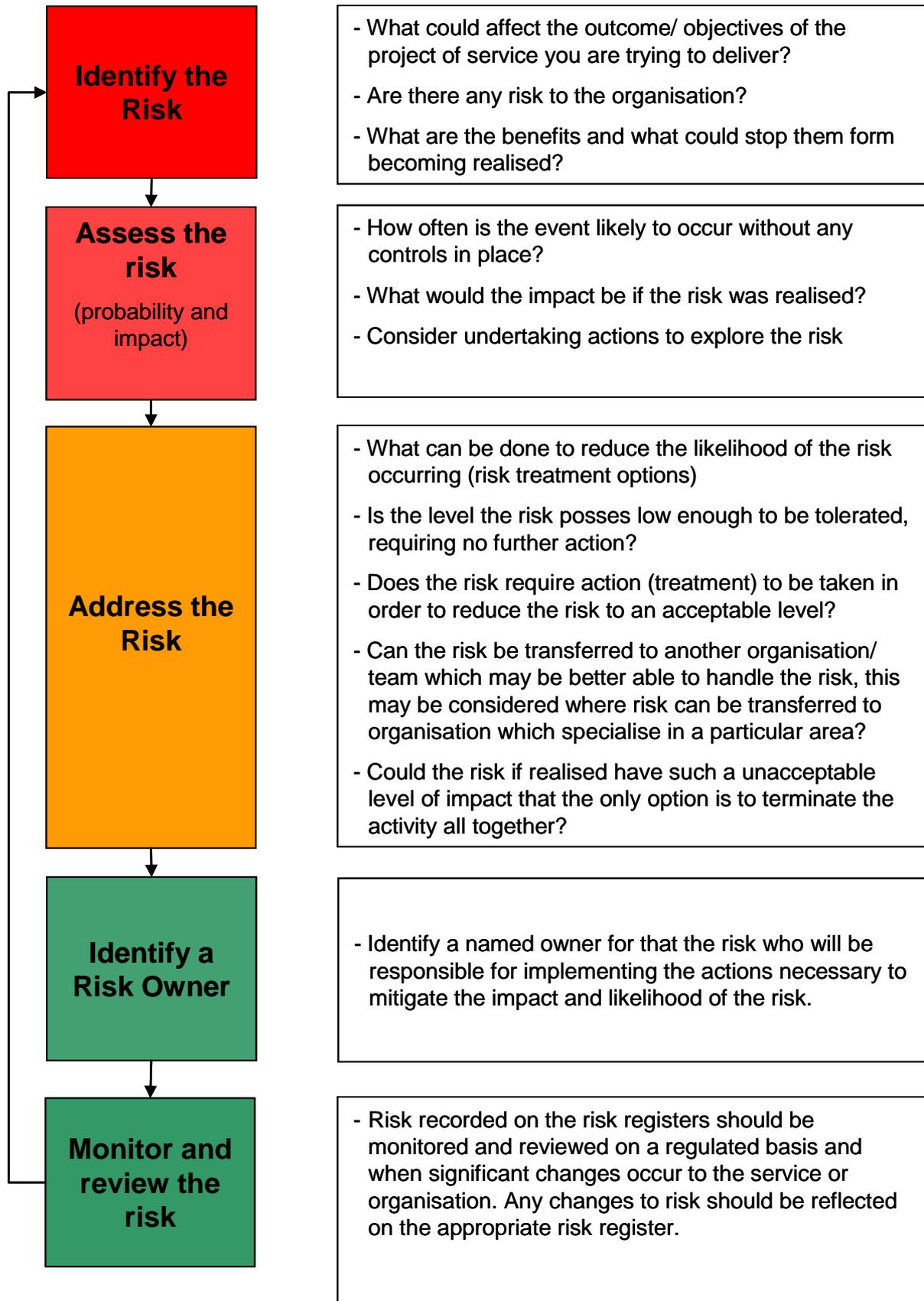Appendix B: Risk Management Process
Appendix C: Example Risk Register and Risk Matrix
Appendix D: Risk Appetite Statement

Appendix A: Risk Management Framework

Strategic Risk Registers
- Owns and leads the corporate risk management process
- Reviews and approves the annual statement for risk appetite.
- Revises and challenges the SRR on a quarterly basis
- Receives urgent risk reports as necessary
- Individually arranges for the quarterly review of departmental level risk registers

Risk Group
- Holds quarterly review meetings
- Risk owners will be appointed by individual DMT's
- Reports on emerging/ increasing and diminishing risks
- Reviews the impact of risk and produces and quarterly report for CMT

Departmental Risk Registers

Departmental Risk Registers

- DMT to determine and implement any actions required to manage risks and opportunities
- Review and report on effectiveness of actions on a quarterly basis
- Appoint a suitable person to draft RR
- Challenge and support heads of service to ensure the effectiveness of risk management process in their respective areas

Programme Risk - Business Transformation

- Identifies and manages programme and project related risks.
- Ensures risk area escalated into the corporate risk register as necessary.
Note: Projects owners are required to identify risks to corporate objectives.

Specific Risk Registers
- Breaks down high risks which exist across the organisation and require more detailed analysis
- Specific Risk Sub Group formed from staff from various departments

Heads of Service/ Managers
- Alert to risk arising from business activities escalating these as necessary

Project Programme Holders

RISK   RISK   RISK

RISK

Appendix B: Risk Management Process

Identify the Risk	- What could affect the outcome/ objectives of the project of service you are trying to deliver? - Are there any risk to the organisation? - What are the benefits and what could stop them form becoming realised?
Assess the risk (probability and impact)	- How often is the event likely to occur without any controls in place? - What would the impact be if the risk was realised? - Consider undertaking actions to explore the risk
Address the Risk	- What can be done to reduce the likelihood of the risk occurring (risk treatment options) - Is the level the risk posses low enough to be tolerated, requiring no further action? - Does the risk require action (treatment) to be taken in order to reduce the risk to an acceptable level? - Can the risk be transferred to another organisation/ team which may be better able to handle the risk, this may be considered where risk can be transferred to organisation which specialise in a particular area? - Could the risk if realised have such a unacceptable level of impact that the only option is to terminate the activity all together?
Identify a Risk Owner	- Identify a named owner for that the risk who will be responsible for implementing the actions necessary to mitigate the impact and likelihood of the risk.
Monitor and review the risk	- Risk recorded on the risk registers should be monitored and reviewed on a regulated basis and when significant changes occur to the service or organisation. Any changes to risk should be reflected on the appropriate risk register.

Appendix C: Example Risk Register and Risk Matrix

Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous/Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date	Remarks
				A Educ B Cult C Safg D Com E Envt F Grow	*Likelihood 1 (L) - 5 (H)*	*Impact 1 (L) - 5 (H)*		*if new risk, score on assumption no controls are in place*		*change in impact, likelihood, objective etc(ALT return to use bullet points etc)*	*to measure success of controls. What is already in place to mitigate risk. (ALT return to use bullet points etc)*	*further actions required to mitigate risk or maximise opportunity. (ALT Return to use bullet points etc)*	*officer(s) responsible*	*target date*	*all registers reviewed at least 3 monthly unless specified*	*any other comments etc*
		name of risk	*brief description of risk event*	*threats & opportunities arising*												
	Winter gritting	*Insufficient budget available based on last year's experience*	*Reputational damage; increased potential for traffic incidents; increased claims against council etc*		5	4	20	0	◄►		*Capacity bid put forward Sept 2010 to increase budget to cover estimated number of runs*	*Review gritting programme each week throughout winter period. Provide information to finance in relation to likely overspend*				

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Risk Matrix

5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	**2**	**3**	**4**	**5**

Likelihood (vertical axis) · **Impact** (horizontal axis)

- **Review 12 months**
- **Review 6 months**
- **Review 3 months**

Risk Categories

Strategic: Risks affecting medium-long term goals. Project risks, governance etc

Operational: Events affecting service provision. Staff shortage, physical damage, ICT etc

Financial: Events with a financial/budgetary impact

Compliance: Risks threatening compliance with standards, laws and regulations etc

Reputation: Affecting public perception about the organisation, staff morale, stakeholder interest etc.

Environmental: Events with an environmental impact.

Likelihood and Impact Descriptors

1: Negligible		**Little likelihood of risk occurring except in exceptional circumstances**
	Service Interruption	None noticeable
	Objectives/Projects	Insignificant slippage
	Financial	up to £10k
	Compliance	Minor non-compliance
	Reputational	Internal PCC only
	Environmental	No noticeable impact
2: Low		**Unlikely to occur in next 10 years**
	Service Interruption	Minor disruption
	Objectives/Projects	Minor slippage
	Financial	£10k-£25k
	Compliance	Low-level non-compliance
	Reputational	Local media - short term coverage
	Environmental	Minor impact
3: Moderate		**Reasonable chance of occurring in next 5 years**
	Service Interruption	Some operations compromised
	Objectives/Projects	Reduction in scope or quality
	Financial	£25k-£100k
	Compliance	Non-compliance with core standards
	Reputational	Local media - long term coverage
	Environmental	Short term, medium impact
4: Significant		**Likely to occur more than once in next 12 months**
	Service Interruption	All or most operations compromised
	Objectives/Projects	Failure to meet secondary objectives
	Financial	£100k-£500k
	Compliance	Major non-compliance
	Reputational	Extensive local, short-term national coverage
	Environmental	Significant impact - possible long-term effects
5: Very High		**More likely to occur than not at least once in next 12 months**
	Service Interruption	sustained or permanent loss of core service
	Objectives/Projects	failure to meet primary objectives
	Financial	£500k +
	Compliance	serious breach of compliance - potential prosecution
	Reputational	Long-term national coverage
	Environmental	Long-term impact

Appendix D: Risk Appetite Statement

Introduction and Background

The Council's annual statement of risk appetite has been drawn up to provide management with sufficient guidance on the level of risk they are legitimately able to take. The statement aims to ensure that managers do not stifle creativity or opportunities by being too risk adverse while also ensuring that managers do not take an unacceptable level of risk which may significantly harm the organisation. The statement also aims to clearly and fully state to our stakeholders the nature and extent of the key risks the council is willing to embrace as part of the delivery of the corporate plan.

It is intended that CMT review and approve the Councils risk appetite statement on an annual basis to set the appropriate level of risk that the council is willing to take in order to achieve its desired aims and objectives.

This statement of risk appetite should be read in conjunction with the PCC Risk Management Policy available on Insite which is also reviewed at least annually. It is important to note that the risk appetite level indicates the level of risk the council is prepared to accept after mitigation actions have been taken e.g. the residual or net risk exposure during the year.

The risk appetite statement is an important aspect of managing risk at Peterborough City Council because it sets corporate boundaries for the level of risk the organisation is willing to take. It should be noted that some risks are outside of the authority's control; this is especially true for Local Government where statutory requirements need to be fulfilled. Whilst it is accepted that it may not be possible to prevent such risks occurring, it is expected that contingency plans/strategies are put in place to minimise/plan for any impact
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Definition of Risk Appetite
There are numerous definitions of organisational 'risk appetite', but they all break down to how much of what sort of risk an organisation is willing to take. Risks need to be considered in terms of both opportunities and threats and are not usually confined to money - they will invariably also impact on the capability of your organisation, its performance and its reputation.

For the purposes of this document the follow definition will be used to define risk appetite:

"The amount of risk that an organisation [the council] is prepared to accept, tolerate or be exposed to at any point in time".

Source: British Standard on Risk Management BS31100 2008.

Risk Appetite Matrix

The following matrix shows the risk appetite and the risk tolerance for Peterborough City Council. All 10 of the risks outlined in the Strategic Risk Register have been plotted on the matrix. The thick black line represents the risk appetite and any risk below this line is deemed acceptable. The thick white line represents the risk tolerance and any risk above this line will not be tolerated. Risks that fall in between these lines are undesirable but tolerable.
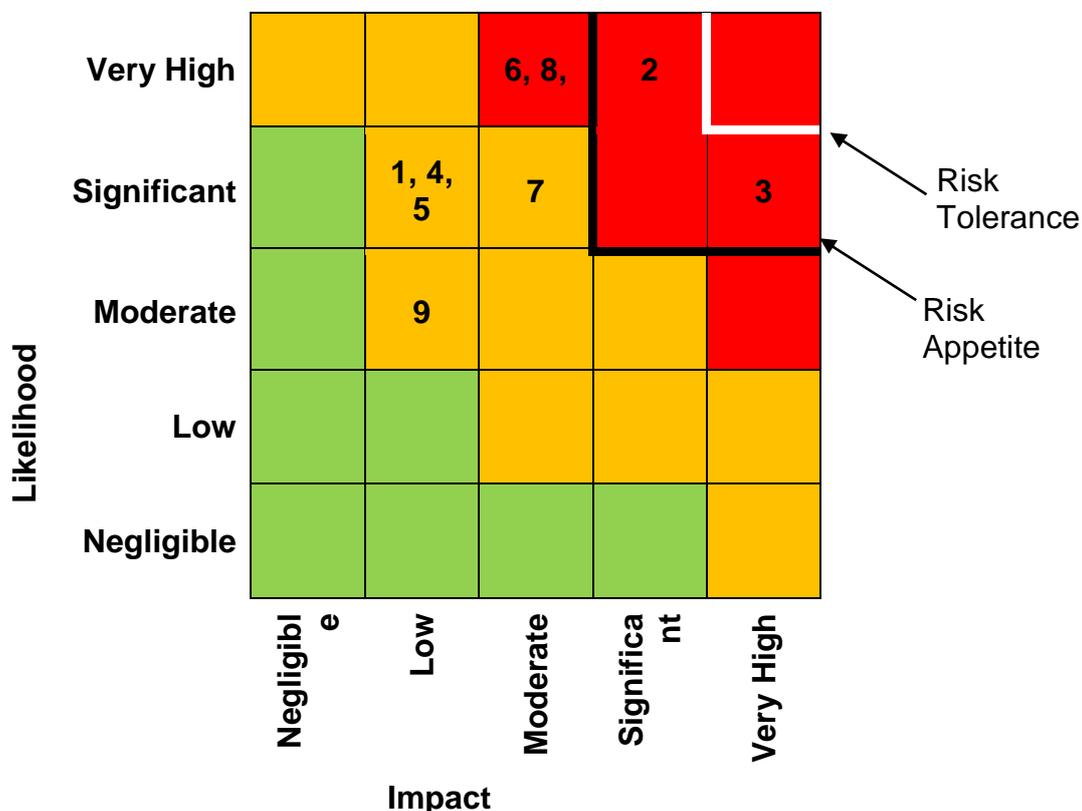
Risk Appetite Statement 2014/15

Current Risk Appetite Classification: Open (4) / Hungry (5)
Target Risk Appetite Classification: Cautious (3) / Open (4)

Note: Appendix A outlines the framework for classifying risk appetite and defines clearly each classification.

- Risks that fall below the risk appetite line will be accepted by Peterborough City Council but they should still be regularly monitored and mitigated to their target exposure level.

- Risks which are assessed that fall above the risk appetite line but under the risk tolerance line are undesirable, but will be tolerated. These risks will require immediate and urgent management to reduce their risk to an acceptable level i.e. below the risk appetite line.

- Risks which fall above the risk tolerance line are unacceptable and must be immediately terminated or transfer the Council's involvement in these risks.

- There are certain risks however which may be forced upon Peterborough City Council and therefore cannot use internal controls to manage the risk so these will have to be tolerated. An example of this would be changes in the socio/economic political environment. However, contingency plans and strategies should still be developed and introduced in a bid to lessen the impact.

Classifications of Risk Appetite	1 Averse	2 Minimalist	3 Curious	4 Open	5 Hungry
	Avoidance of risk and uncertainty is a key Organisational objective	*Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward*	*Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward*	*Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money, etc.)*	*Eager to be innovative and to choose options offering higher business rewards (despite greater inherent risk).*
Category of risk	Example behaviours when taking key decisions …				
Reputation and credibility	• Minimal tolerance for any decisions that could lead to scrutiny of the Government or the Department	• Tolerance for risk taking limited to those events where there is no change of any significant repercussion for the Government or the Department	• Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the Government or the Department should there be a failure.	• Appetite to take decisions with potential to expose the Government or Department to additional scrutiny but only where appropriate steps have been taken to minimise any exposure.	• Appetite to take decisions that are likely to bring scrutiny of the Government or Department but where potential benefits outweigh the risks
Operational and policy delivery	• Defensive approach to objectives – aim to maintain or protect, rather than create or innovate. • Priority for tight management controls and oversight with limited devolved decision making authority. • General avoidance of systems/ technology developments	• Innovations always avoided unless essential. • Decision making authority held by senior management. • Only essential systems/ technology developments to protect current operations.	• Tendency to stick to the status quo, innovations generally avoided unless necessary. • Decision making authority generally held by senior management. • Systems/ technology developments limited to protection of current operations	• Innovation supported, with demonstration of commensurate improvements in management controls. • Systems/technology developments considered to enable operations delivery.	• Innovation pursued-desire to 'break the mould' and challenge current working practices. • New technologies viewed as a key enabler of operational delivery. • High levels of devolved authority – management by trust

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				• Responsibility for non-critical decisions may be devolved.	rather than tight control.
Financial/VFM	• Avoidance of financial loss is a key objective • Only willing to accept the low cost option • Resources withdrawn from non-essential activities	• Only prepared to accept the possibility of very limited financial loss if essential. • VfM is the primary concern.	• Prepared to accept the possibility of some limited financial loss. • VfM still the primary concern but willing to also consider the benefits. • Resources generally restricted to core operational targets.	• Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level. • Value and benefits considered (not just cheapest price). • Resources allocated in order to capitalise on potential opportunities.	• Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). • Resources allocated without firm guarantee of return – 'investment capital' type approach.
Compliance – legal/ regulatory	• Avoid anything which could be challenged, even unsuccessfully. • Play safe.	• Want to be very sure we would win any challenge.	• Limited tolerance for sticking our neck out.	• Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	• Chances of losing are high and consequences are serious. But a win would be seen as a great coup.

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