Risk Management Policy and Framework

Peterborough City Council

Contents

RISK MANAGEMENT POLICY

Change Control

Version	Issue Date	Change Description	Author
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
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1.2	June 2022	Re-write to reflect new arrangements of Risk Board and change in recording / reporting	Steve Crabtree

Version Control

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Introduction

To achieve the ambitions, outcomes and priorities determined by the Council, it is essential that it continues to understand, manage and communicate the diverse range of risks and challenges that could threaten he organisation and vital services. Risks originate from a variety of sources, many of which are out of our direct control – for example global events such as the pandemic or austerity. More localised incidents can impact on residents, individuals, services or the infrastructure. It is paramount that all risks are clearly identified, managed and reported through the relevant channel. Risks can never be eliminated entirely but proportionate and targeted action can be taken to reduce risks to an acceptable level. The effect of uncertainty on an organisation's objectives is risk. Risk management is the process of identifying what might go wrong, what the potential consequences could be, and how to best mitigate the likelihood of the risk occurring. If it does go wrong, as is inevitable sometimes, proactive risk management will ensure the impact is kept to a minimum.

Local authorities are required to maintain a sound system of internal control, including risk management, internal audit, and whistleblowing arrangements. Risk management is the application of Council strategies, governance, policies and processes to identify and manage risks that are acceptable to the Council. Managing risk processes effectively enables the Council to safeguard against potential threats and take advantage of potential opportunities to improve services whilst continuing to provide better value for money for residents, visitors, local businesses and service users.

The Council is accountable to the public for its performance and financial management. This means that the Council has a low appetite for risk, however this will need to change in order to take careful consideration of risk to develop new and innovative ways to delivery services, support communities and ensure the long term financial stability of the Council is not impaired by short term decisions. This makes good risk management essential.

Definition of Risk Management

Risk is the chance of possibility of loss, damage, injury of failure to achieve objective caused by an unwanted or uncertain action or event. Risk management is a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the assets or financial and organisational well-being of the Council.

Policy Statement

PCC recognises that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives and maximise the opportunities to achieve its vision.

The Council is aware that some risks can never be eliminated fully and it has in place a strategy that provides a structured, systematic and focused approach to risk management.

Risk management is an integral part of the Council's corporate governance arrangements and has been built into the management processes as part of the Councils overall framework to deliver continuous improvement.

Vision

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

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; and
- The risk management approach is also beneficial in managing any risks associated with the delivery of opportunities.

Responsibility for Risk Management

The Council recognises that it is the responsibility of all Members and employees to have regard to risk in carrying out their duties. If uncontrolled, risk can result in a drain on resources that could better be directed to front line service provision, and to meet the Councils objectives and community needs.

The Corporate Leadership Team and Service Managers have responsibility and accountability for managing the risks within their own work areas. Employees have a duty to work safely, avoid unnecessary waste of resources and contribute to risk management initiatives in their own areas pf activities. The cooperation and commitment of all employees is required to ensure the Council resources are not squandered as a result of uncontrolled risk. Table 1 sets out those responsibilities.

RISK MANAGEMENT POLICY

Table 1: Risk Management Responsibilities	
Element	**Expectation**
Cabinet	Consider risk in its strategic planning decisions Set the overall risk appetite for the organisation Monitor performance of management in mitigating strategic risks
Lead Member for Risk Management (Part of remit of Cabinet Member for Finance and Corporate Governance)	Champion the operation of effective risk management operations
Audit Committee Scrutiny Committees	Hold Members and Officers to account for effectiveness of risk management in decision making and achievement of objectives
Corporate Leadership Team (CLT)	Own and lead the corporate risk management process Own, review and challenge the strategic risk register Receive urgent risk reports as necessary
Risk Management Board	Engage in bi-monthly monitoring and discussion of BAU risk, new operational risk and issues within departments Consider the success of mitigating strategies Establish trends for risks and any financial implications Discuss the overall level of threat, and items for escalation Coordinate risks in relation to cross-departmental dependencies / cross-overs Identify key items for escalation to CLT
Lead Director for Risk Management (Director of Resources and s151 Officer)	Act as the sponsor of risk management on behalf of CLT Chair the Corporate Risk Board meeting
Departmental Risk Coordinator	Act as a champion / coordinator for risk management within their department Regularly table departmental register at DMT for discussion / refresh Attend Risk Management Risk Board to report on the key risk items, details of items to be escalated and update mitigation Use Power-BI to maintain departmental risk register
Project Management Office (PMO)	Ensure that a unified and consistent approach to Project and Programme risk management covering the identification, recording, monitoring and mitigation of risks Support in the identification of cross-programme risks (and trends) which may become corporate risks
Support for PMO	ICT support of Power-BI

Table 1: Risk Management Responsibilities	
Element	**Expectation**
Project Owners Risk Owners	Recording of all projects and associated risks on Power-BI Accountable for determining and implementing the action required to manage risks and opportunities Refresh risks in conjunction with DMT / Risk Coordinator
Heads of Service Managers	Alert to risks arising from BAU and manage and escalate these as necessary
Chief Internal Auditor	Current lead officer on development of risk management
Internal Audit	Routine overview of risk management arrangements through all audit activities

Framework

The Council's Risk Management Process is described below and shown in the diagram in **Appendix A**. The framework sets out the overall arrangements for the operation of risk management at PCC; it therefore encapsulates the risk strategy of the organisation.

The Council is working towards greater synergy between risk, project, programme, planning and performance management arrangements to assess performance in terms of its compliance with the organisations risk appetite. It also forms the cornerstone of monitoring and control of delivering on the Councils Improvement Plans.

Internal Audit provide assurance on the adequacy of all risk management arrangements through regular reviews and will then report into the Audit Committee. Audit Committee will also consider deep dive reviews into departmental risks.

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 minimize / plan for any impact

Risk Appetite

Definition

- There are numerous definitions of organisational 'risk appetite', but they all breakdown 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".

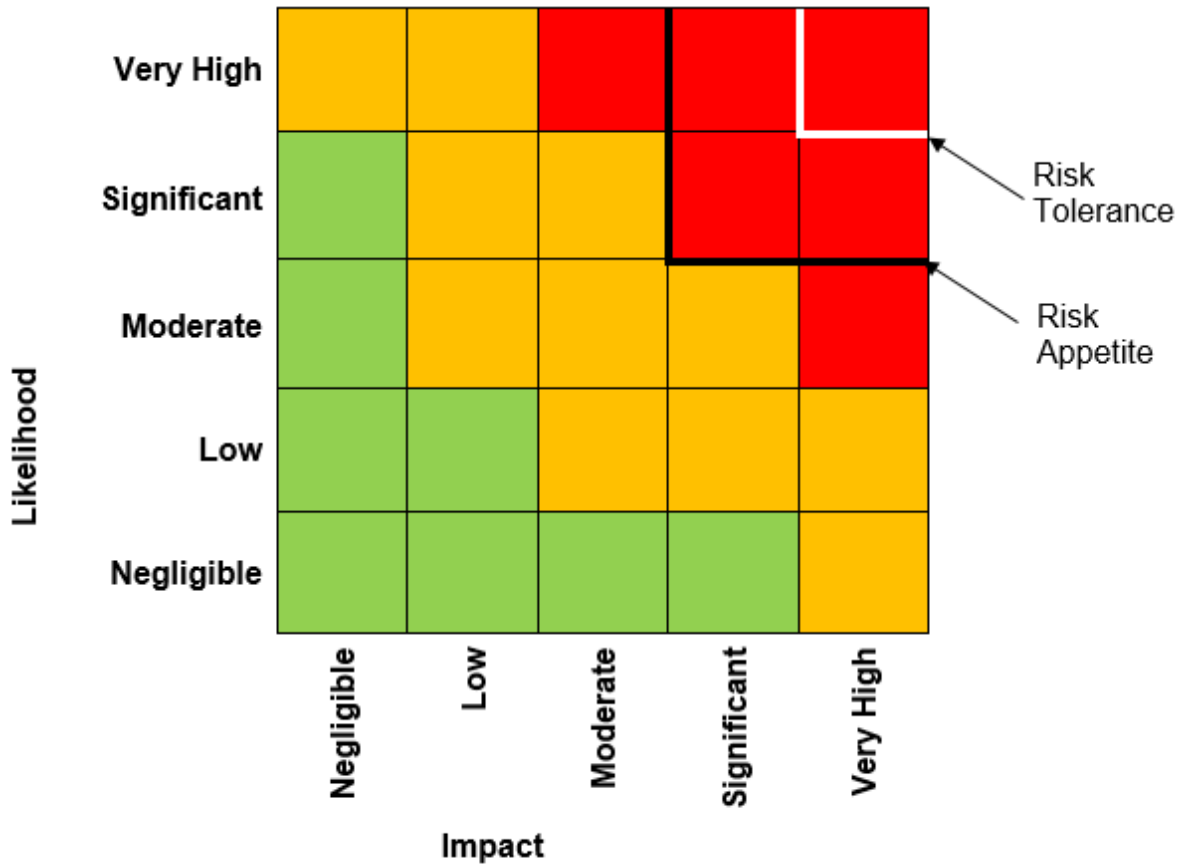Source: British Standard on Risk Management BS31100 2008.

Matrix

- The following matrix shows the risk appetite and the risk tolerance for PCC. Scores are based upon a 5 x 5 matrix as determined below**. The appetite was last determined by Cabinet with a score of 15**.

- The thick black line represents the risk appetite and any risk below this line are deemed acceptable i.e. tolerate – but will still be regularly reviewed in case their position worsens.

- Scores above that, i.e. 16 and above we would seek to closer monitor and look to treat, terminate or transfer. Risks which fall above the risk tolerance line need key mitigation plans put in place to reduce their unacceptable level. Should these fail then consideration needs to be given to termination or transfer the Council's involvement in these risks.

- Where there are extreme risks (i.e. a score of 25), these risks fall above the risk tolerance line and need key mitigation plans put in place to reduce their unacceptable level. Should these fail then consideration needs to be given to termination or transfer the Council's involvement in these risks.

- There are certain risks however which may be forced upon PCC 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.

APPENDIX A: Risk Management Process

102

RISK MANAGEMENT PROCESS		
	Business As Usual / Projects	Sources
IDENTIFY RISKS Risk and Issues Assessment	Heads of Service and Managers alert to risks and issues from business activity Department appoint risk coordinator	Managers DMT Projects Teams
ANALYSIS RISKS Data Gathering and Analysis	Risks are captured within timescales and recorded within the system Risks are classified as strategic or operational	Risk Coordinator POWER-BI
EVALAUTE RISKS Risk Scrutiny	Risks are discussed at individual DMTs Risks are reported through to bi-monthly Risk Management Board meetings using Power-BI Significant changes are escalated to Corporate Leadership Team	Risk Management Board Corporate Leadership Team
TREAT RISKS Corporate Decision Making	Corporate Leadership Team review strategic register as part of monthly CLT Performance Meetings Appropriate reports are provided to Audit Committee and Scrutiny Committees as appropriate	Corporate Leadership Team Audit Committee Scrutiny Cabinet Improvement Panel
This is a cyclical process, it never stops		

103

APPENDIX B: Capturing / Recording Risks

A standard report template is set up within Power-BI (NB: A user licence is required to access).

Field Name	Description
Project Name	This represents the departmental risk log narrative.
Title	A short description of the risk
Council	Some risks are not just relevant to PCC, they could also cover County e.g. a shared service. This captures who it applies to
Owner	An officer needs to be identified who will oversee the risk
Description	Full description of the risk. This should spell out why it is a risk, its cause and the consequences. <table><tr><td>DUE TO</td><td>Risk of…</td><td>Failure to / of…</td><td>Lack of…</td><td>Development of..</td></tr><tr><td></td><td>Loss of…</td><td>Uncertainty of…</td><td>Delay in…</td><td>Opportunity to…</td></tr><tr><td></td><td>Inability to…</td><td>Inadequate…</td><td>Partnership with…</td><td>Damage to…</td></tr><tr><td>CAUSES</td><td>Due to…because..</td><td></td><td></td><td></td></tr><tr><td>CONSEQUENCES</td><td>…Leads to…</td><td>…Results in…</td><td></td><td></td></tr></table>
Mitigation Plan	This sets out what is being put in place to manage the risk. This should clearly set out any details and timelines needed to manage the risk
Start Date	The date the risk became active

104

Due Date	This would normally represent the date when the risk would be fully mitigated. However, it should be as a minimum the date next to be reviewed.
Update	The opportunity for DMT / risk owners to set out progress in mitigating the risk
Corporate Risk	There is the ability for departmental risks to be flagged up / identified as corporate risks. "FALSE" is a departmental risk. "TRUE" represents a corporate risk
Risk RAG	Using the scoring matrix for each risk (5 x 5), the risk is classed as "GREEN", "AMBER" or "RED".
Category	This set out the risk category to which it relates. • Benefits • Compliance • Customer • Environmental • Financial • Legal • Operational • Resource • Strategy • Technical • Timescale
Exposure	This should set out the value to which the Council(s) could be exposed should the risk occur
Risk Trend	As part of the regular monitoring of risks, the owner should be able to demonstrate progress. This is categorised as "INCREASING" "STEADY "DECREASING"

105

APPENDIX C: Glossary of Terms

Term		Definition
BAU		Business as usual. Normal activities undertaken by the Council.
Power-BI		The software solution which stores the risk registers
Risk Definitions	Corporate / Strategic Risk	Risks that could influence the successful achievement of the Councils long term core purpose, priorities and outcomes. These are: • risks that could potentially have a council wide impact and / or • risks that cannot be managed solely at a departmental level because higher level support / intervention is needed
	Departmental Risk	Risks at department level that could have an effect on the successful achievement of its outcomes / objectives. Potentially these risks could have a significant financial, reputational and / or service delivery impact on the department as a whole
	BAU risk	Risks that impact on day-to-day operations. These could also cover contract, project and partnership risks • Contract risk. Risks that could have an effect on the successful achievement of the contracts outcomes / objectives in terms of delivery, outcomes and value for money. (These should be managed through the contracting processes including contract management / BAU • Programme / Project risk. Risks that could have an effect on the successful achievement of the project outcomes / objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users / third parties / partners) • Partnership risk. Risks that could have an effect on the successful achievement of the partnership's outcomes / objectives including engagement with key stakeholders (service users, third parties, partners). These can be strategic and / or operational depending on the size and purpose of the partnership

106

Risk Response category	Tolerate	A decision is taken to accept the risk. Management and / or the risk owner make an informed decision to accept that existing actions sufficiently reduce the likelihood and impact of a risk and there is no added value in doing more. No further action
	Transfer	Transfer all or part of the risk through insurance or to a third party e.g. contractor or partner, who is better able to manage the risk. Although responsibility can be transferred, in most cases accountability remains with the Council, so this still needs to be monitored
	Treat	Mitigate the risk to reduce its impact
	Terminate	A decision is made not to take a risk. Where the risks outweigh the possible benefits, avoid the risk by doing things differently which could result in stopping the activity

107

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