



## **PETERBOROUGH CITY COUNCIL**

### **RISK MANAGEMENT POLICY**

**Purpose:**

**To provide clear evidence of the effective operation of a Risk Management Policy and the organisation's role in implementing the process.**

## RISK MANAGEMENT POLICY

### Document Control

<b>Title:</b>	Peterborough City Council Risk Management Policy			
<b>Synopsis:</b>	This document outlines the effective operation of a Risk Management Policy and the organisation's implementation of the process.			
<b>Status:</b>	Final v3.5			
<b>Date:</b>	May 2014			
<b>Document Owner(s):</b>	Corporate Management Team (CMT)			
<b>Author(s):</b>	Kevin Dawson			
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	0.1	Oct 2012		Kevin Dawson
	0.2	19 Oct 2012	Consultation with Internal Audit	Kevin Dawson
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<b>Version ID</b>	<b>Date of Submission</b>	<b>Submitted to</b>	<b>Approval and Sign Off</b>
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

## RISK MANAGEMENT POLICY

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 POLICY

### 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 reduce the negative impact of activities that are deemed too risky.

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:

<b>Organisational Risk Management Arrangements</b>	
<i>Element</i>	<i>Peterborough's expectation</i>
Cabinet	<ul style="list-style-type: none"> <li>• Considers risk in its planning decisions;</li> <li>• Sets the overall risk appetite for the organisation;</li> <li>• Monitors the performance of management in mitigating strategic risks;</li> <li>• Makes decisions with due regard to risk considerations.</li> </ul>
Lead Member for Risk Management	<ul style="list-style-type: none"> <li>• Champions the operation of effective risk management operations at Council.</li> </ul>
Scrutiny	<ul style="list-style-type: none"> <li>• Holds Members and Officers to account for effectiveness of risk management in decision making and achievement of objectives</li> </ul>
Corporate Management Team (CMT)	<ul style="list-style-type: none"> <li>• Owns and leads the corporate risk management process;</li> <li>• Reviews and challenges the Corporate Risk Register on a quarterly basis;</li> <li>• Receives urgent risk reports as necessary</li> <li>• Individually, arranges for quarterly review of Directorate level risk registers.</li> </ul>
Lead Officer for Risk Management	<ul style="list-style-type: none"> <li>• Acts as a champion for risk management within the organisation</li> </ul>
Members of Corporate Management Team	<ul style="list-style-type: none"> <li>• Review and challenge their respective risk registers on a quarterly basis and more often if appropriate.</li> </ul>
Risk Owners	<ul style="list-style-type: none"> <li>• Accountable for determining and implementing the action required to manage risks and opportunities;</li> <li>• Review and report on effectiveness of actions on a quarterly basis.</li> </ul>

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<b>Organisational Risk Management Arrangements</b>	
<b>Element</b>	<b>Peterborough's expectation</b>
Project and Programme Sponsors, Procurement leads. (Business Transformation)	<ul style="list-style-type: none"> <li>• Ensure risk registers are used to record and manage risk at programme and project level;</li> <li>• Ensure risks are escalated into the corporate risk management process as necessary</li> </ul>
Managers/Heads of Service	<ul style="list-style-type: none"> <li>• Are alert to risks arising from business as usual and manage and escalate these as necessary.</li> </ul>

<b>Risk Management support, guidance, challenge, policy and strategy, co-ordination</b>	
<b>Element</b>	<b>Peterborough's expectation</b>
Resilience Service	<ul style="list-style-type: none"> <li>• Implements the overall risk management strategy and approach, in consultation with key stakeholders;</li> <li>• Works to increase awareness of the importance of risk management;</li> <li>• Supports the risk escalation and reporting process, in particular the Corporate Risk Register;</li> <li>• Maintains an oversight of risk issues across the organisation, reviewing, challenging and identifying trends and advising CMT accordingly.</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>• Oversees the implementation of the organisation's risk management strategy;</li> <li>• 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;</li> <li>• Review and challenge Service and Corporate Directorate risk registers on a rotational basis.</li> </ul>
Risk Group	<ul style="list-style-type: none"> <li>• Co-ordinate and implement the Service / Corporate Directorate risk management strategy in line with the overall organisational approach;</li> <li>• Work to increase awareness of the importance of risk management across their area;</li> <li>• Support the risk escalation and reporting process, in particular, maintain and update the Service and Corporate Directorate Risk Registers;</li> <li>• Monitor and report on any necessary action to implement risk control measures.</li> <li>• Challenge and support managers to ensure the effectiveness of the risk management process in their area.</li> </ul>

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Assurance, oversight, policy & strategy approval	
<i>Element</i>	<i>Peterborough's expectation</i>
Audit Committee	<ul style="list-style-type: none"> <li>• Oversee the risk management arrangements in place within the organisation</li> <li>• Monitor the effectiveness of risk management processes and culture;</li> <li>• Holds managers to account for risk mitigation work;</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• Uses intelligence on risk to inform the audit planning approach;</li> <li>• Gives assurance on the effective management of risk to senior managers, the Audit and Accounts Committee and other bodies as necessary.</li> <li>• Examination of corporate risk registers as part of the planning during the audit process</li> </ul>

# RISK MANAGEMENT POLICY

## 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).

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### ***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. 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.

### ***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.

## RISK MANAGEMENT POLICY

### Areas for Review and Development

Role of Risk Group	<ul style="list-style-type: none"><li>• Ensure that the team acts successfully to challenge and support risk management and to identify key issues for escalation</li></ul>
Risk Reporting	<ul style="list-style-type: none"><li>• Assessing the opportunities for reviewing Service Plans/VERTO project management system for risk reporting</li></ul>
Standardisation and consistency	<ul style="list-style-type: none"><li>• Ensuring the quality of risk registers included quality of risk description</li></ul>
Ensuring action to mitigate risks	<ul style="list-style-type: none"><li>• Review the management action arrangements</li></ul>
Embedding risk management into key business processes	<ul style="list-style-type: none"><li>• Ensuring risks are considered as part of integrated planning and performance reporting</li><li>• Ensuring risks relating to decisions are clearly presented</li></ul>
Promote the updated approach	<ul style="list-style-type: none"><li>• Approval by CMT; visits to DMTs; support and advice</li></ul>
Role of Members	<ul style="list-style-type: none"><li>• Offering training aimed at ensuring members understand the risk management process and expectations upon officers</li></ul>

### Appendices

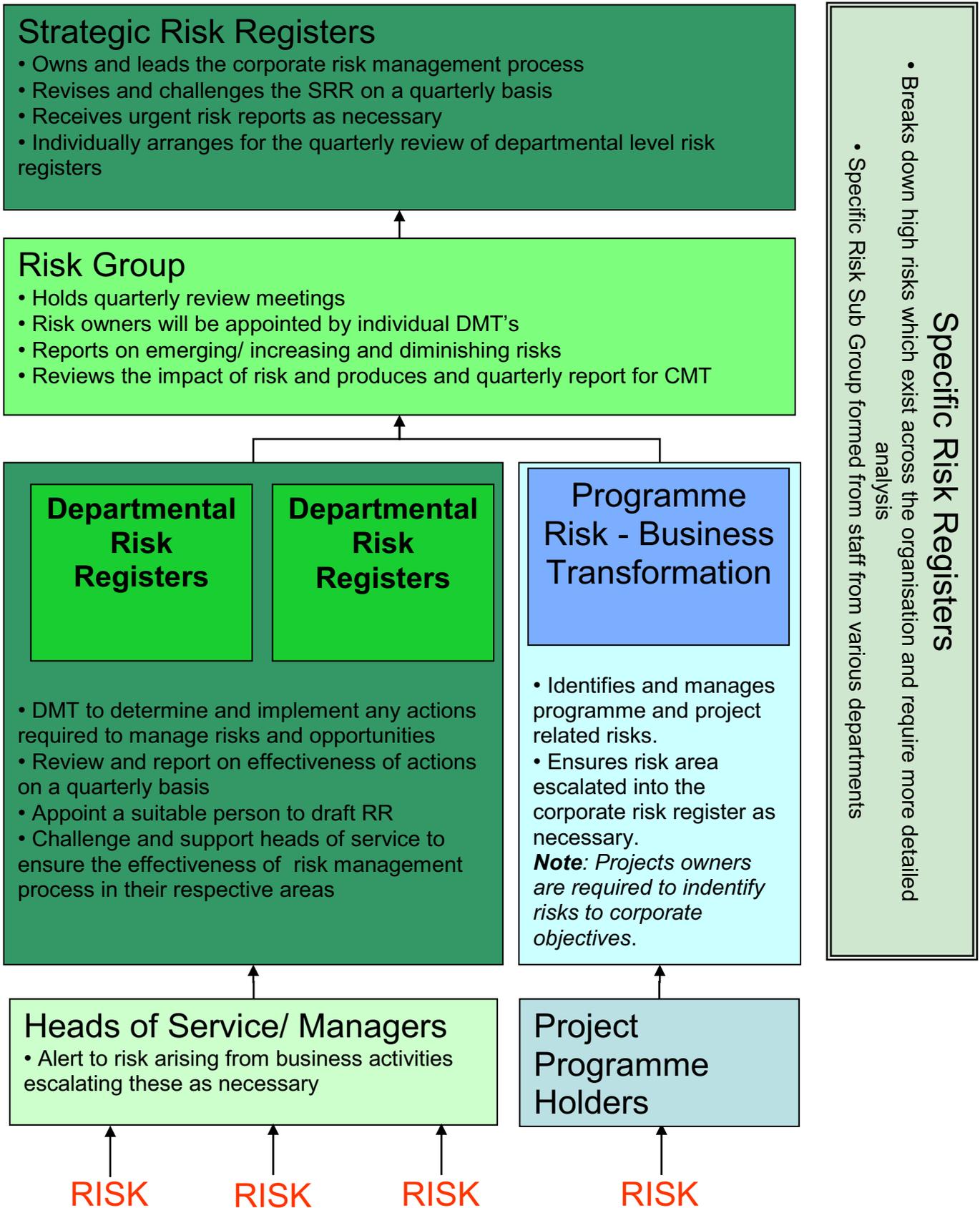
Appendix A - Risk Management Framework

Appendix B - Risk Management Process

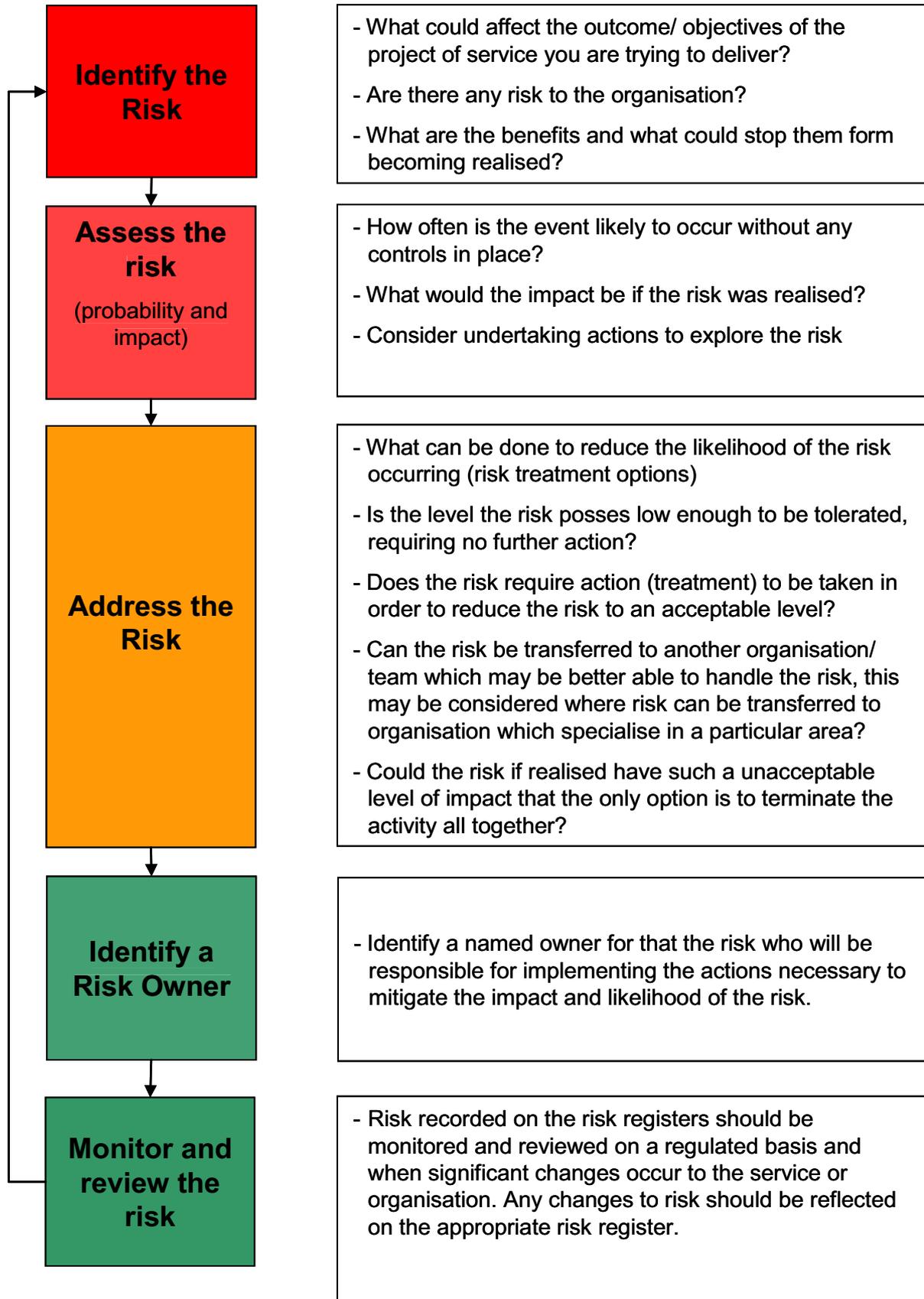
Appendix C - Example Risk Register and Risk Matrix

# RISK MANAGEMENT POLICY

## Appendix A: Risk Management Framework



## Appendix B: Risk Management Process



## RISK MANAGEMENT POLICY

### 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
	<i>name of risk</i>	<i>brief description of risk event</i>	<i>threats &amp; opportunities arising</i>	A Educ B Cult C Safg D Com E Env F Grow	Likelihood 1 (L) - 5 (H)	Impact 1 (L) - 5 (H)		<i>if new risk, score on assumption no controls are in place</i>		<i>change in impact, likelihood, objective etc (ALT return to use bullet points etc)</i>	<i>to measure success of controls. What is already in place to mitigate risk. (ALT return to use bullet points etc)</i>	<i>further actions required to mitigate risk or maximise opportunity. (ALT Return to use bullet points etc)</i>	<i>officer(s) responsible</i>	<i>target date</i>	<i>all registers reviewed at least 3 months unless specified</i>	<i>any other comments etc</i>
	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				

EXAMPLE

#### 22 Risk Matrix

	5	5	10	15	20	25
Likelihood	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

Impact

- 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.

## RISK MANAGEMENT POLICY

### Likelihood and Impact Descriptors

<b>1: Negligible</b>		<b>Little likelihood of risk occurring except in exceptional circumstances</b>
	Service Interruption	None noticeable
	Objectives/Projects	Insignificant slippage
	Financial	up to £10k
	Compliance	Minor non-compliance
	Reputational	Internal PCC only
	Environmental	No noticeable impact
<b>2: Low</b>		<b>Unlikely to occur in next 10 years</b>
	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
<b>3: Moderate</b>		<b>Reasonable chance of occurring in next 5 years</b>
	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
<b>4: Significant</b>		<b>Likely to occur more than once in next 12 months</b>
	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
<b>5: Very High</b>		<b>More likely to occur than not at least once in next 12 months</b>
	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

## **RISK MANAGEMENT POLICY**

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