Risk Management Policy and Toolkit

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Contacts: **Peter Vickers, Head of Finance**

                     Vicki Basley, Senior Accountant

                     Brian Gilmour, Risk & Insurance Officer

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1.   Introduction

1.1   Waverley Borough Council (the Council) is a risk-conscious organisation that understands, explores and manages risk in order to deliver the Corporate Strategy. Risk management is an indispensable element of good management and corporate governance, which is essentially the way the council manages its business, determines strategy and objectives, and goes about achieving its goals.

1.2   Risk management will help identify and deal with the key risks facing the Council in the pursuit of its objectives. The risk management process must be used to identify and manage all risks to the council's ability to deliver its priorities. This covers strategic priorities, operational activities, contract management and delivery of projects and programmes.

2.   Risk Management Policy

2.1   This risk management policy is a statement of the levels and types of risks the Council is prepared to accept (and not accept) in pursuant of its objectives.

2.2   The Council defines risk as:
> "The probability that something might happen that could have an effect upon the council"

and risk management as:
> "The process by which the council manages threats, enhances opportunities and creates an environment that adds value to its activities"

2.3   Our risk management policy objectives are to:
- embed risk management into the culture of the Council
- raise awareness and work with partners, providers and contractors to develop a common understanding of the Council's expectations on risk management
- integrate risk management into policy, planning and decision making
- enable the Council to anticipate and respond to changing social, environmental and legislative conditions
- manage risks to an acceptable level in line with the Councils risk appetite

2.4   These objectives will be achieved by:
- identifying, assessing and effectively managing strategic and operational risks across the Council
- establishing clear roles, responsibilities and reporting lines for risk management across the Council
- incorporating the assessment of risk into all key decision making and planning processes of the Council

2.5   The benefits of successful risk management include:
- **Improved service delivery** – fewer disruptions, efficient processes, improved controls.

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- **Improved financial performance and value for money** – increased achievement of objectives, fewer losses, reduced impact and frequency of critical risks.
- **Improved corporate governance and compliance systems** – fewer legal challenges, robust corporate governance, fewer regulatory visits.
- **Improve insurance management** – lower number of level of claims, lower impact of uninsured losses and reduced insurance premiums.

2.6   This Risk Management Policy is implemented through the Risk Management Framework which describes the responsibilities for risk management and provides an overview of the process that is in place to manage risk successfully.

2.7   Further advice and assistance on risk management is available from Peter Vickers - Head of Finance, Vicki Basley - Senior Accountant or Brian Gilmour - Risk and Insurance Officer.

3.   Risk Management Process

The Council's Risk Management Process consists of the regular and methodical review of all relevant risks. Such review consists of five separate stages, namely:

Number	Step	Activity
1	Risk Identification	Identification of the risks, using the building blocks of risk, on achieving goals and objectives.
2	Risk Analysis	Understanding the risk – cause/consequence.
3	Prioritisation	Scoring the risks based on likelihood and impact In order to determine the optimal action for managing the risk.
4	Risk Management	Deciding what to do about the risks – transfer, tolerate, treat or terminate, with regard to the risk appetite
5	Monitoring, reporting and reviewing risks	Monitoring and reporting of the risk in the appropriate format to the context

The continuous process can be summarised in the diagram below.

Further detail of the process and its use is contained within section 5 of this document – Risk Management Tool Kit.

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4.   Roles and Responsibilities

4.1   The responsibility for managing risk extends throughout the Council, including Members. It is important that all Members, managers and staff are aware of their role. The following summarises the various roles and responsibilities.

Role	Responsibilities
Audit Committee	The Audit Committee is responsible for ensuring that the Risk Management Process comprises effective arrangements to identify, evaluate, action and monitor the risks to which the Council is exposed.
Portfolio Holder Finance	The Portfolio Holder for Finance is responsible for ensuring that the Risk Management Process is implemented effectively so that significant risks that require action are actioned and monitored effectively and reported to the Executive as appropriate.

Ensuring that a Strategic Risk Register, including details of actions taken to mitigate risks identified, is established and regularly monitored by Directors and Heads of Service. |
| Members | Portfolio holders to identify risk issues on an ad-hoc basis when developing service changes with officers within their portfolio.

Members have a general responsibility to consider risk issues when making key decisions.

Facilitating a risk management culture across the Council. |
| Directors | To ensure that the Risk Management Process is fully implemented
To ensure that agreed action plans are completed
To ensure that risks are properly considered when making decisions
Recommending a Risk Management Strategy to Members.
Identifying and managing the business risks and opportunities facing the Council, (including those highlighted within received reports).
Responsibility for ensuring that the Council fully complies with all corporate governance requirements, including the Annual Governance Statement |
| Heads of Service | Ensuring that risk management within their service is implemented in line with the Council's Risk Management Policy.
Having lead responsibility/ownership for specifics risks on the Council's Strategic Risk Register.
Identifying and managing risks within their service and ensuring that mitigating actions are regularly actioned. |

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Role	Responsibilities
Head of Finance	To coordinate actions necessary to implement the Risk Management Process. Advising Members on effective risk management and ensuring that they receive regular monitoring reports. To review the Risk Management Strategy and report to Members as necessary. To maintain and update the Corporate Risk Register and report to Audit Committee in accordance with agreed reporting procedures. To provide support to managers in implementing effective solutions to managing risk. To facilitate training for key managers and members to develop skills in identifying risk issues.
Heads of Service, Service Managers and Project Managers	To identify the risk of loss, damage or injury in service delivery and to implement appropriate measures to minimise likelihood of occurrence and/or adverse impact on the Council in line with the risk appetite. To identify risks in their Service Plan. To raise awareness of risk issues across the service and promote good risk management practice To encourage staff to be risk-aware and to raise risk issues at team meetings. To ensure that an effective control environment exists in all service areas. To ensure effective communication of the Risk Management Process in their service areas. Balancing an acceptable level of operational risk against programme and project objectives and business opportunity. Reporting systematically and promptly to their senior management team any perceived new risks or failures of existing control measures.
Specific Member/Officer working groups	To consider specific risk areas and ensure management action is taken as appropriate.
Risk and Insurance Officer	Provide advice and guidance on insurable risk and support the risk management process.
Staff	Understanding their accountability for individual risks. Reporting systematically and promptly to their manager any perceived new risks or failure of existing control measures.

5. Risk Management Toolkit

Introduction

5.1 The Council has risk management approaches in place for Health, Safety and Welfare, Business Continuity Management and Emergency Planning. This risk management toolkit does not supersede the specific guidance issued in relation to those risk areas but support it.

5.2 The Risk Management Process outlined within this Toolkit should be used to manage risks which could impact strategic priorities, operational activities (e.g. delivery of actions identified in service plans) and delivery of projects or programmes.

5.3 The starting point for risk management is to ensure that there is a clear understanding and agreement on the objectives for the subject on which the risk assessment is being undertaken. You are identifying the risks that may affect the delivery of these objectives. A risk is something might happen that could have a positive or negative effect upon the achievement of the desired outcome, e.g. the objective.

5.4 Within projects and strategic planning this is the knowledge and understanding of strategic and operational priorities sometimes referred to as the goals and objectives.

5.5 The Council's risk management process consists of five steps which act as a step-by-step guide follows to enable you to understand the risk management process.

5.6 Further advice and assistance on risk management is available from the Head of Finance, the Senior Accountants and the Risk and Insurance Officer.

5.7   Step 1 – Risk Identification

5.7.1   The council needs to know what risks it faces to be able to decide how best to manage them. This step is about identifying what the risks are.

Risks can be identified in a number of forums, including:

- A 'brainstorming' session or workshop with the whole management team
- Interviews
- Meetings with smaller groups of people
- Questionnaires to participants

5.7.2   There are a wide range of methods available that can be used to identify and understand risks. The method that you select will depend upon the type of risk(s) that you are dealing with.

5.7.3   Additionally, existing sources of information could help inform this stage. Some examples are listed below:

- Service plans
- Committee reports
- Partners' documented or perceived views of risk, eg their own risk registers
- Internal or external research papers or statistical trends
- Risks or issues raised by internal audit or any other external scrutiny body
- Risks identified through budget setting process
- Health & safety risk assessments
- Business continuity risk assessments
- Partnership, programme or project documentation (eg business case or project risk register)
- Experience of those running or participating in the risk identification process

5.7.4   It is the responsibility of those identifying risks to decide which sources of information they should consult. This may be one or more of the sources listed above or it could be something else you think is appropriate.

5.7.5   It is crucial for risks to be defined properly. Failure to do so can result in confusion about the exact nature of the risk, ineffective risk controls being implemented, or the risk analysis being over or underestimated.

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5.8   Risk Categories

5.8.1   For the purposes of applying the Risk Management Process to the Council's activities, all possible risks are considered under headings:

   A. Strategic Risks (that relate to Corporate Strategy Objectives)
   B. Operational risks (that relate to Service Plan objectives/actions)
   C. Project/Partnership risks

5.8.2   This categorisation is important in relation to the frequency and extent of review and to the identification process. The diagram shown below illustrates some of the main risk themes which the Council could face.

Whilst these categories provide prompts to identify risks, the Council has a formal risk appetite that identifies 5 specific risk domains that must be considered. These are covered in detail in Appendix B – Risk Appetite Statement.

5.9   Step 2 – Risk Analysis

5.9.1   This step is concerned with describing risks in sufficient detail and then recording the risk in a consistent format to support effective decision making on the way that the risk is managed. Each risk should have an owner and be recorded using the Risk Assessment Form which can be found in Appendix A.

5.9.2   The description of the risk should include three elements, cause, event, effect:
   - Risk Title
   - Description
     - Situation or event (real or perceived), that exposes us to a risk/statement of fact
     - The trigger event - Include the event that could or has occurred that results in an impact on the objectives being achieved
   - The likely consequences if the risk materialises (The impact, how big? How bad? How much? - Consider worst likely scenario)

5.9.3   To assist in describing risk here is a list of "do's" and "don'ts".

Do	Don't
- The description should start with an "if" - Think about internal and external influences that might affect delivery of the objectives, e.g. customer needs, stakeholder needs and strategy and key performance indicators. - Think about what resources you need to deliver the objectives and whether there is any uncertainty around having these in place. - Think about the background and what is driving the risk so that you can understand what the real risk is - Think only about the risk that will affect the delivery of objectives	- Describe the impact of the risk as the risk itself - Describe everyday issues when the outcome is already known. - Define risks with statements which are simply the converse of the objectives.

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5.10   Step 3 – Prioritising risks

5.10.1   Once identified the risk matrix (see figure below) is the main tool for prioritising each risk to identify which risks are most significant and therefore in need of greater attention, effort and resources. It also allows comparison of different types of risk with each other.

5.10.2   Each risk should be analysed for the likelihood it will happen and the impact if it did happen. This assessment should be made considering controls that are already in place and working effectively. It is the risk owner's responsibility to ensure the controls they believe are reducing the risk are effective and are working in practice. Controls that are not yet in place should not be considered, no matter how soon they will be implemented.

5.10.3   The impact should be considered against the relevant objectives - strategic risks should be scored against the council's objectives; operational risks scored against service plan objectives; project risks scored against the objectives of the project and so on.

5.10.4   Each identified risk should be plotted onto the risk matrix once the likelihood and impact score has been agreed.

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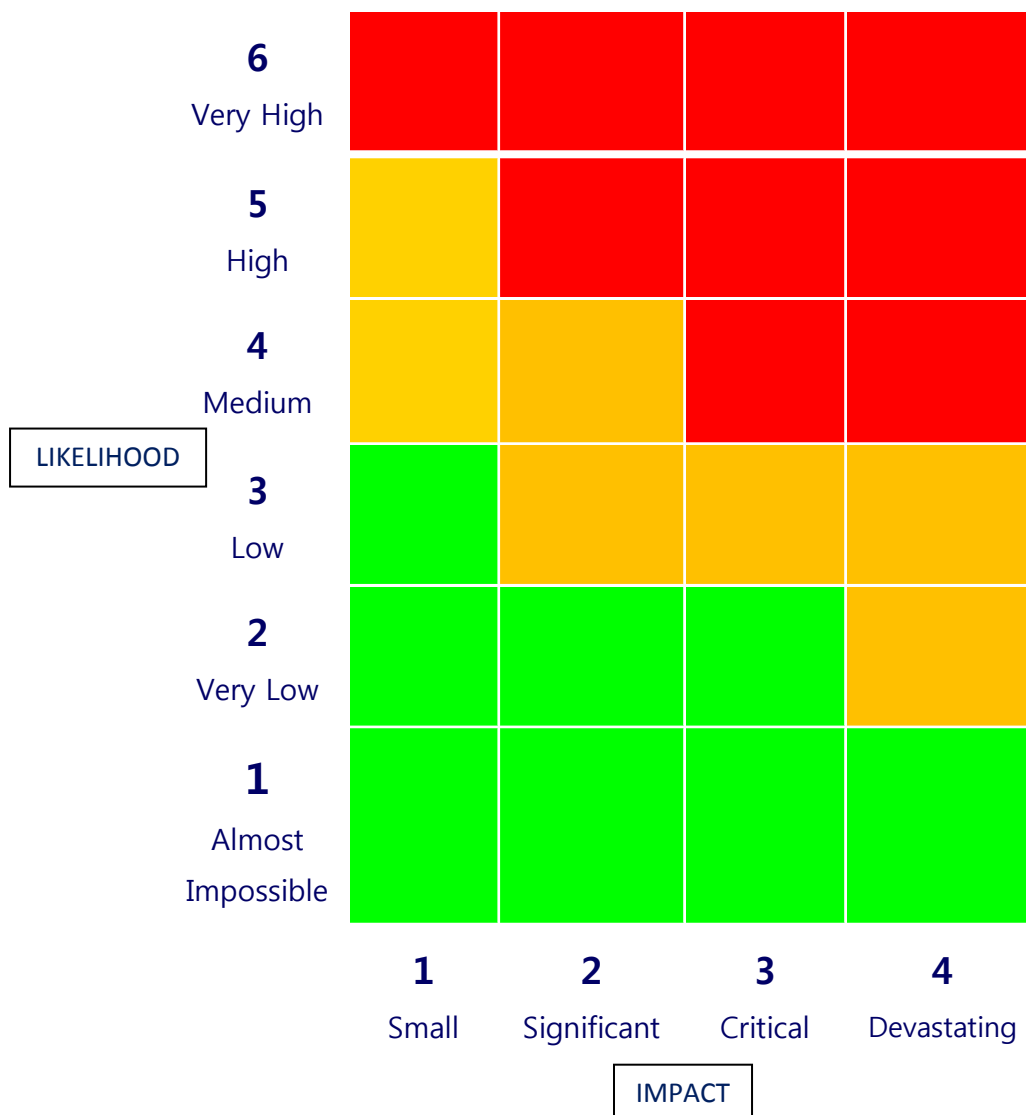
5.10.5 When considering the likelihood of a risk happening the appropriate number from 1 to 6 from the risk matrix should be selected that is most likely over the next 12 months (it can be longer or shorter; some risks in the Strategic Risk Register have to be considered over 3 - 5 years, some operational risks will be considered over 3 - 6 months). This score will have an element of judgement but the following should be considered:

- Has this event happened before? If so how frequently?
- Has this event happened elsewhere? If so how frequently?
- How likely is it that one or more of the causes/ triggers of the event will occur?
- Has anything happened recently that makes the event more or less likely to occur?

5.10.6 When selecting the impact, consideration should be given to the factors outlined in the risk matrix. For example, if the risk that is being scored has a low financial impact but a high impact on the Council's reputation then the most appropriate number between 1 and 4 that relates to the level of reputational impact. The bold text within the "indicators" column of the impact table shows the Council's appetite for risk that it has chosen not to go beyond. The Risk Appetite Statement is on Appendix B. Once again, this score will have an element of judgement but the following should be considered:

- **Financial**
  - Could the event impact on the financial viability of the Council? Will there be an impact on the budget?
  - Will the event result in financial claims, fines or penalties?
- **Legal/Regulatory**
  - Will the event expose the council or public to a safety issue?
  - How serious would such an event be?
- **Safety**
  - Will the event prevent result in a regulatory breach or legal action?
  - How serious would such a breach be?
- **Ability to Deliver Services**
  - Will there be a service interruption? How long will it last? How severe will it be? Will it impact on the services delivered to vulnerable people?
  - Is it a key service or a high priority service?
- **Council's Reputation**
  - Will there be negative national publicity? Will there be negative local publicity?
  - How long is the negative publicity likely to last?
  - Will the Council's reputation be damaged? In the long-term or short-term?
  - Health and Safety of Employees, Residents or Service Users
  - Could the event lead to loss of life? Could the event lead to serious injury?
  - Could the event lead to a prosecution (by Health & Safety Executive or Courts)? Will the event result in a breach of Health and Safety rules or other safety guidance?

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5.10.7 The following table provides some support in quantifying the risk in terms of likelihood and impact.

Likelihood Definitions

Score	Likelihood	Indicators
1	Almost Impossible	Less than 1% chance of occurring Has happened rarely/never before
2	Very Low	1 - 10% chance of occurring Only likely to happen once in three or more years May have happened in the past
3	Low	10 - 20% chance of occurring Reasonable possibility it will happen in the next three years Has happened in the past
4	Medium	20 - 50% chance of occurring Likely to happen at some point in next one-two years Circumstances occasionally encountered
5	High	50 - 80% chance of occurring Almost certain to happen within the next 12 months Regular occurrences frequently encountered
6	Very High	Above 80% chance of occurring Inevitable it will happen within the next 6 months No influence/control over event occurring

Impact Definitions

Score	Impact	Risk Domain	Indicators
1	Small	Financial Legal/Regulatory Safety Service Delivery Reputational	Loss <£10k Trivial breach or non-compliance **Insignificant injury (First Aid**) Negligible disruption/unnoticed by service users insignificant damage
2	Significant	Financial Legal/Regulatory Safety Service Delivery Reputational	Loss up to £50k **Isolated legal action or regulatory breach** Minor injury (medical attention) Small disruption/inconvenience **One-off adverse local publicity**
3	Critical	Financial Legal/Regulatory Safety Service Delivery Reputational	**Loss up to £100k** Sustained legal action or (limited) regulatory fine Serious injury (not life threatening) **Substantial, short-term disruption/inconvenience** Short-term, but wide reaching adverse publicity
4	Devastating	Financial Legal/Regulatory Safety Service Delivery Reputational	Loss >£100k Major legal action or regulatory sanction Death(s)) or multiple serious injuries Major, sustained disruption/serious inconvenience Major, long-term damage

Bold = the Council's appetite for Risk

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5.11   Step 4 – Risk Management

5.11.1 Once risks have been identified and scored the next step is to decide what action should be taken to manage or treat them. There are four general approaches to treating risk: Tolerate Transfer, Treat or Terminate.

Action	Description	Options
Terminate	Not undertaking the activity that is likely to trigger the risk	Changing the direction or strategy and revisiting objectives, improving channels of communication Obtaining further information from external sources, acquiring expertise Reducing the scope of the activity, adopting a familiar, proven approach Deciding not to undertake the activity likely to trigger the risk
Treat	Controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur	Controlling the likelihood of the risk occurring, Controlling the impact if the risk does occur
Transfer	Handing the risk on elsewhere, either totally or in part – e.g. through insurance.	Financial instruments such as insurance, performance bonds, warranties or guarantee. Renegotiation of contract conditions for the risk to be retained by the other party. Seeking agreement on sharing the risk with the other party. Sub-contracting risk to consultant or suppliers. NB. It may not be possible to transfer all aspects of a risk. For example, where there is a statutory duty of care or reputational damage to the Council.
Tolerate	Acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.	The ability to take effective action against some risks may be limited or the cost of taking action may be disproportionate to the potential benefits gained in which case the risk is accepted on an "informed" basis.

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5.11.2 Assessment of each treatment option is used to provide the basis for selecting the best option to manage each risk identified. Risk treatment is concerned with actions taken to reduce the impact or likelihood of risks not wholly avoided or transferred (retained risks).

5.11.3 The efficiency of the risk treatment relates to the cost effectiveness of the proposed actions to be taken. Firstly the cost of implementation has to be considered (time, staffing resource, budget, etc.). The impact expected if no action is taken should be weighed against the cost of action and the reduction of the impact. There should be a direct benefit from the cost implementation in terms of the reduction of the level of the risk.

5.11.4 The Risk Appetite Statement provides a guideline for the level of risk the Council is expecting risk events to be mitigated within so that excessive risk is not carried whilst excessive risk mitigation is avoided.

5.11.5 In line with the Risk Appetite Statement, some risks are not mitigated within the risk appetite, and will be accepted in specific circumstances. The reason to continue to carry such risks should be clearly documented in the relevant risk log and risk reporting.

5.12 Risk recording

5.12.1 Service Plans, projects and programmes must be supported by a risk log. The format of the risk log is prescribed and it must include a description of the risk, the name of the risk owner, the controls already in place to mitigate the risk and the residual risk rating (see Appendix A).

5.12.2 The Council also produces a Strategic Risk Register covering the top level risks underpinning the Corporate Strategy. When drawing up a risk in service plans or in projects, consideration should be given to any impacts on the Strategic Risks and a link made if necessary.

5.12.3 The Strategic Risk Register and this Risk Management Policy and Toolkit can be accessed via the Risk & Insurance service page on Backstage.

5.13 Step 5 – Monitoring, Reporting and Reviewing Risks

5.13.1 Directors and Heads of Service are responsible for ensuring that key risks on the Strategic Risk Register are managed and the progress with the risk mitigation measures monitored. The Head of Finance will report the strategic risk management arrangements to the Audit Committee and the Executive.

5.13.2 Heads of Service are responsible for ensuring that key risks on their service plans and project management documents are managed.

5.13.3 Service-specific business risks must be included within the respective service plans and be monitored through the performance and risk management arrangements.

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5.13.4 All risks should be reviewed at least annually as part of the Council's annual service plan processes and reported through the current performance and risk management monitoring arrangements.

5.13.5 A log of risk movement should be captured to show the direction of risk. This will also help to provide an audit trail and support risk learning.

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Appendix A – Risk Assessment Form

Risk Description	Consequences	Risk Rating	Risk Owner	Risk Mitigation	Risk Movement
• Situation or event (real or perceived), that exposes us to a risk/statement of fact • The trigger event - Include the event that could or has occurred that results in a negative impact on the objectives being achieved	• The likely consequences if the risk materialises • The negative impact – • How big? • How bad? • How much? • Consider worst likely scenario)	**Impact (1,2,3,4))** **Likelihood (1-6))**	Person responsible for ensuring risk is managed	Current mitigations: To reduce the likelihood or impact Additional actions required to make the risk acceptable: SMART Actions – will they have the desired impact	Has there been any changes to the risk rating to previous years.

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6. A quick guide to completing the Risk Assessment Form

6.1   Think about the background to the risk, eg what is bothering you about the situation? What are the causes of the risk and what is the trigger. Remember to keep it factual, understand why the risk is occurring, and establish the reason why the risk is a problem. Record these in the Causes and Trigger fields.

6.2   Think about the impact and consequences and record these in the Consequences field.

6.3   Initially score the risk, in accordance with the 'Likelihood Definitions and Impact Definitions' at 5.10.7, by selecting a number between 1 and 6 (6 being the highest) for likelihood and 1 and 4 (4 being the highest) for impact using the Risk Matrix. Existing controls should be taken into account when assessing this although there is a need to consider the effectiveness of these.

6.4   Consider who will have ownership of the risk as this person will have responsibility for ensuring that any further controls are undertaken in a timely manner. Make sure they have agreed to be the risk owner. Put the name in the Risk Owner field.

6.5   Record any further action that needs to be taken to reduce the risk likelihood or consequences in Further Controls Needed. Agree who the responsible officer(s) for taking these actions forward will be and record their name(s). Ensure they know they have been nominated to take the action(s) forward.

6.6   Agree a review date. This does not have to be when the action is due to be completed, but an appropriate date to review the action being taken to ensure that everything remains on track. Record this date on the form.

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Appendix B - Risk Appetite Statement

Waverley Borough Council must take risks in order to achieve its key priority themes of People, Place and Prosperity and deliver its vision to the community, local businesses and other partners as set out in the Corporate Strategy.

Risks will be taken in a considered and controlled manner to ensure exposure to risks is kept to a level deemed acceptable by the Council. The acceptable level may vary from time to time. Some risks may be accepted above the agreed acceptable level because:

- The likelihood of the risk occurring is deemed to be sufficiently low
- There is the potential to enable the realisation of considerable reward/benefit
- They are considered too costly to control given other priorities
- The cost of controlling them would be greater than the cost of the impact should they materialise
- There is only a short period of exposure to them
- They are considered essential to the achievement of aims and objectives

The main risks the Council will face come from the following domains:

Financial: In looking after its finances the Council will plan carefully and invest wisely to deliver good value for money and, in doing so, is willing to accept, in some circumstances, risks that may result in a moderate financial loss.

Legal/Regulatory: The Council recognises the need to place high importance on compliance with legal and regulatory requirements that apply to a local authority and has no appetite beyond isolated legal action or regulatory breaches.

Safety: The Council has no appetite for safety risk exposure that could result in anything other than an insignificant injury requiring first aid.

Service Delivery: The Council will strive to deliver and maintain high quality services. However, to do that, the Council is willing accept a moderate exposure to risk in service delivery which could lead to a substantial, short term disruption or inconvenience.

Reputation: It is important that the Council maintains a high reputation and, therefore, has set a cautious approach to risk in the conduct of its activities and will only accept one-off adverse local publicity.

The Council will always assess risk in line with these domains

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Risk Appetite

Through in-house training and facilitated workshops Members of the Executive, Audit Committee and senior management received practical guidance to reach a consensus view of the overall risk appetite for the Council.

Risk Domains

The Council's appetite for risk has been assessed as highlighted below:

	Financial	Legal/ Regulatory	Safety	Service Delivery	Reputational
Averse	Loss < £10k	Trivial breach or non-compliance	Insignificant injury (First Aid)	Negligible disruption/ unnoticed by service users	Insignificant damage
Cautious	Loss up to £50k	Isolated legal action or regulatory breach	Minor injury (medical attention)	Small disruption/ inconvenience	One-off adverse local publicity
Moderate	Loss up to £100k	Sustained legal action or (limited) regulatory fine	Serious injury (not life threatening)	Substantial, short-term disruption/ inconvenience	Short-term, but wide reaching adverse publicity
Open	Loss > £100k	Major legal action or regulatory sanction	Death(s) or multiple serious injuries	Major, sustained disruption/ serious inconvenience	Major, long-term damage