

Draft Risk Management Strategy and Framework 2017

“Successful organisations are not afraid to take risks; Unsuccessful organisations take risks without understanding them.”

Guildford Borough Council Risk Management Policy

Risk management is an integral part of good management and governance and the Council has a legal duty to have risk management arrangements in place. The Council's approach to managing risk is explained in this strategy, which sets out the Council's approach to risk management at a strategic and operational level.

Guildford Borough Council is a complex organisation, providing a diverse range of services to over 135,000 people living and working in the Borough and surrounding area. The Council has many stakeholders and works with other public, private and voluntary bodies to make Guildford a better place for people to live and work.

The next few years will present significant challenges for the Council in delivering its services. The challenges mean that we need to develop a very different model for local government. One that is smaller and delivers with differing methods of service delivery, either through commissioning services, entering into partnerships or looking at other service models. Whilst these changes create opportunities, they also create risks and uncertainty.

Risk management is the process of identifying what might go wrong, what the potential consequences may be, what could trigger the occurrence and deciding how best to minimise the risk materialising. If it does go wrong, as some things inevitably will, proactive risk management will help ensure the impact is kept to a minimum.

The Council's attitude to risk is to operate in a culture of creativity and innovation, in which all key risks are identified in all areas of the business and the risks are understood and managed, rather than avoided. We should not be afraid of risk but we must proactively manage it. This will allow us to meet future challenges and opportunities to deliver the most effective services. Risk management therefore needs to be an integral part of our decision making with structures and processes in place to ensure the risks and opportunities of daily service activities are identified, assessed and addressed in a consistent way.

This strategy is focused on providing the risk management principles, tools, techniques, advice and support for services now and in the future.

Guildford Borough Council has developed a systematic and logical process of managing business risk within a comprehensive framework to ensure it is managed effectively, efficiently and consistently across the organisation. Council wide ownership and accountability for managing risk is critical to the success of our services and the achievement of our corporate objectives.

We require all services to actively anticipate and manage their business risks, identify opportunities and mitigate any threats in line with their risk tolerances. This ensures a consistent approach where the risk profiles of each function are transparent and enables comparisons to be made and risks to be aggregated to provide a whole organisation portfolio approach to risk management.

What are the Council's risk management objectives?

- Adopt a strategic approach to risk management to make better informed decisions which is vital to successful transformational change;
- Set the 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities;
- Acknowledge that even with good risk management and our best endeavours, things can go wrong. Where this happens we use the lessons learnt to try to prevent it from happening again;
- Develop leadership capacity and skills in identifying, understanding and managing the risks facing the Council;
- Integrate risk management into how we run Council business and services.
- Support a culture of measured risk taking (our risk appetite) throughout the Council, including strategic, programme, partnership, project and operational areas. This includes setting risk ownership and accountabilities and responding to risk in a balanced way, considering the level of risk, reward, impact and cost of control measures;
- Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management;
- Ensure risk management continues to be a key and effective element of our corporate governance arrangements.

How are our objectives going to be met?

- Maintain a robust and consistent risk management approach that will identify and effectively manage strategic, operational and project risks and focus on those key risks that, because of their likelihood and impact, make them priorities;
- Ensure accountabilities, roles and responsibilities for managing risks are clearly defined and communicated;
- Consider risk as an integral part of business planning, service delivery, key decision making processes, and project and partnership governance;
- Communicate risk information effectively through a clear reporting framework; and increase understanding and expertise in risk management through targeted training and the sharing of good practice
- The Risk Management Framework will be reviewed periodically to take account of changing legislation, government initiatives, best practice and experience gained within the Council.

The Council will be open in its approach to managing risks. Lessons from events that lead to loss or reputational damage will be shared as well as lessons in good practice from things that go well. Discussion on risk in any context will be conducted in an open and honest manner. The strategy will be reviewed annually and further guidance will be published on the Council's intranet.

Risk Management Approach

1. Introduction

This strategy sets out our approach to risk management and aims to:

- Provide standard definitions and language to underpin the risk management process
- Ensure risks are identified and assessed consistently across the Council
- Clarify roles and responsibilities for managing risk
- Implement an approach that meets current legislative requirements and follows best practice and relevant standards.

2. Definitions

Risk can be defined as “an uncertain event that, should it occur, will have an effect on the Council’s objectives and/or reputation.” It is the combination of the probability of an event (likelihood) and its effect (impact).

Risk management is the “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.” By managing our risk process effectively, we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

Risk management covers all levels of service delivery including:

Corporate Strategic Risks – Risks that could affect or prevent the Council achieving its objectives. These are:

1. risks that could potentially have a Council-wide impact and/or
2. risks that cannot be managed solely at a business unit level because higher level support/intervention is needed.

Business Unit Risks – Risks at a business unit and function level that could have an effect on the successful achievement of the group and business unit outcomes and objectives. Potentially these risks could have a significant financial, reputational and/or service delivery impact on the business unit as a whole.

Contract Risks – Risks that could have an effect on the successful achievement of the contract’s outcomes / objectives in terms of delivery, outcomes and value for money. Contract risks are managed throughout the contracting process including contract management or business as usual.

Programme/Project Risks – Risks that could have an effect on the successful achievement of the programme or project’s outcomes/objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).

Partnership Risks – 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 etc.). These can be strategic and/or operational depending on the size and purpose of the partnership.

Reputational Risks - Risks that could affect the successful achievement of objectives including engagement and future relationships with key stakeholders, partners and the wider community.

3. Our Risk Framework

For a number of years the Council has been working towards a comprehensive and integrated approach to risk management where:

- Staff are clear about what risk management is intended to achieve;
- Significant risks are being identified and managed effectively;
- Training and guidance on risk management are easily accessible;
- A consistent corporate approach is followed using a common 'risk language'; and it is seen as an integral part of good corporate governance

This section details the framework to ensure the effective management of risk across the organisation. The Council's approach to risk management is based on best practice and involves a number of key steps.

Step 1: Purpose and Outcomes

Before we can identify our risks we need to establish the context by looking at what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents, including the following:

- Corporate Plan (for core purpose, priorities and outcomes)
- Business Unit Plans (for group / business unit outcomes / objectives and actions)
- Project Brief/Project Initiation Document (for project aims and objectives)
- Programme Definitions/Plans (for programme aims and objectives)
- Partnership Agreements (for partnership aims and objectives)

Step 2: Identify Risks

There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, physical risks to people, and reputational damage.

To act as a prompt and to ensure completeness, a checklist of risk categories has been developed around the acronym PERFORMANCE:

- **P**olitical
- **E**conomic
- **R**egulatory
- **F**inancial
- **O**pportunities / **O**utcomes
- **R**eputation
- **M**anagement
- **A**ssets
- **N**ew Partnerships / **P**rojects / **C**ontracts
- **C**ustomers / **C**itizens
- **E**nvironment

The standard way to identify risks is through a risk register. Describing the risk is important to ensure that risks are fully understood, and to introduce the most effective solutions. Typical phrases used to do this include:

Risk of ... Failure to ... Failure of ... Lack of ... Loss of ... Uncertainty of ... Delay in ... Inability to ... Inadequate ... Partnership with ... Development of ... Opportunity to ... Damage to ... due to ... because leads to ... results in ...

All of the risks need to be captured in the risk register and a risk owner must be recorded against each risk on the register to ensure 'ownership' of the risk is documented and recognised.

A risk owner is defined as a person with the appropriate accountability and authority to effectively manage the risk e.g. a Director at Corporate Risk level. At this stage, there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

Step 3: Evaluate and Assess the Risk Level

To ensure resources are focused on the most significant risks, we need to assess and prioritise the risks in terms of the potential likelihood. Therefore, the process requires each risk to be assessed twice to identify the evaluated and residual risk levels.

The first assessment (the evaluated risk) is based on the level of risk if no action is taken or any existing actions are not operating effectively. In other words, what is the worst-case scenario if the risk were to occur.

Step 4: Risk Appetite

Risk appetite is best summarised as "the amount of risk an organisation is willing to accept". Guildford Borough Council aims to be aware of the risks, to actively manage business risks to protect and grow the organisation.

Step 5: Risk Maturity

There are several stages in the risk management process which defines the risk maturity of an organisation and these are shown in the table below.

Risk Maturity	Key Characteristics
Risk Naive	No formal approach developed for risk management
Risk Aware	Scattered silo based approach to risk management
Risk Defined	Strategy and policies in place and communicated. Risk appetite defined
Risk Managed	Enterprise wide approach to risk management developed and communicated
Risk Enabled	Risk management and internal control are fully embedded into operations

Step 6: Risk Management Levels

Our approach to risk management is founded upon ensuring risk is effectively and consistently managed across all levels of the Council. The risk culture that emanates from

the strategic leadership team is essential in ensuring all levels buy into and adhere to the corporate risk process.

The Levels:

Function Level: The function complies with the risk management strategy and ensures risks are identified against the delivery of the annual service plan. This level is the key lever for escalation of risks through to a strategic level where they are no longer containable by the function alone.

Service/Unit Level: The day-to-day management activities provide reasonable assurance that the main tactical and operational risks arising from service operations are identified, assessed, managed and monitored.

Programme/Project Level: The identification of risks from the initial business case stage in a programme/project and continued risk management throughout the project lifecycle to ensure the objectives can be achieved.

Corporate Strategic Level: The highest level of risk is managed at this level. Reports on the top business critical risks are reviewed by the Corporate Management Team and discussed at their management meeting on a monthly basis. This level sets the tone for effective risk management across the whole Council. At this level, the risk management strategy is developed for submission to the Executive for approval, and once agreed, its principles are championed by the strategic leaders of the Council.

Step 7: Risk Response and Further Actions

Not all risks can be managed all of the time, so having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat. Risk may be managed in one, or a combination, of the following ways:

- **Avoid**
A decision is made not to take a risk. Where the risks outweigh the possible benefits, avoid the risk by doing things differently e.g. revise strategy, revisit objectives or stop the activity.
- **Accept**
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.
- **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. (Note - Although responsibility can be transferred, in most cases accountability remains with the Council, so this still needs to be monitored.)
- **Mitigate Treat and Reduce**
Implement further additional action(s) to reduce the risk by minimising the likelihood of an event occurring (e.g. preventative action) and, or reducing the potential impact should the risk occur (e.g. business continuity plans). These will be recorded in the risk register and regularly monitored. Once they have been completed, the net risk level should be re-assessed. These are normally referred to as mitigating actions.
- **Exploit**
Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.

Step 8: Review, Report and Monitor

Risk management should be an ongoing process and as such risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and, or impact. Our approach is that:

- Risks should be reviewed as part of service performance monitoring reporting;
- The focus is on risks that, because of their likelihood and impact, make them priorities.

Regular reporting to CMT enables senior managers and Members to be more fully aware of the extent of the risks and progression being made to manage them. Red risks on business unit risk registers will be escalated and reported with the corporate risks in the CMT reports.

Step 9: Roles and Responsibilities

To ensure risk management is effectively implemented, staff and Members should have a level of understanding of the Council's risk management approach.

All Employees

All staff have a responsibility to manage risk in their areas and report risk management concerns to their line managers.

Service Managers and Project Managers

- Responsible for the effective leadership and management of risk in their area of responsibility in line with the Council's risk management framework
- Identify, assess and appropriately document significant risks and clearly identify risk ownership
- Manage risks in line with corporately agreed timescales and policies

Senior Managers

- Responsible for the effective leadership and management of risk in their business unit to meet corporate and business objectives in line with the Council's risk management framework and confirm annually that this has been done as part of the annual governance statement process
- Maintain the business unit risk registers with the appropriate risk owner ensuring all key risks are identified, managed and reviewed in line with the corporate risk management approach
- Promptly escalate risks appropriately
- Encourage staff to be open and honest in identifying risks and opportunities and have as a standing item on team meetings
- Ensure risk management process is an explicit part of transformation programmes and all significant projects

Strategic Directors

- Risk manage their services in delivering the Council's core purpose, priorities and outcomes.
- Constructively review and challenge the risks involved in decision making

Corporate Management Team

- Manage the Council's approach to risk to ensure that the strategic risks are identified and effectively managed to deliver our corporate objectives.
- Draft the risk management framework for consideration by Corporate Governance and Standards Committee and approval by the Executive
- Consider and challenge the risks involved in making any 'key decisions'

Corporate Governance and Standards Committee

- Provide independent assurance to the Council on the overall adequacy of the risk management framework including review of proposed amendments prior to submission to the Executive for approval.

Executive

- To approve the risk management strategy and framework and subsequent amendments.

All Members

- Support and promote an effective risk management culture
- Constructively review and scrutinise the risks involved in delivering the Council's core purpose, priorities and outcomes.

Partners

- Where appropriate participate in the development of a joint partnership risk register where the Council is the lead accountable body
- Actively manage risk within the partnership
- Report on risk management issues to partnership boards or equivalent.

Step 10: Embedding Risk Management

For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. As such, risks and the monitoring of mitigating actions should be considered as part of a number of the Council's significant business processes, including:

- **Corporate Decision Making** – significant risks, which are associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- **Business/Budget Planning** – this annual process includes updating the individual business unit risk registers to reflect current aims/outcomes.
- **Project Management** – all significant projects should formally consider the risks to delivering the project outcomes before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).
- **Partnership Working** – partnerships should establish procedures to record and monitor risks and opportunities that may impact on the Council and, or the Partnership's aims and objectives.
- **Procurement** – procedure rules clearly specify that all risks and actions associated with procurement need to be identified and assessed, kept under review and amended as necessary during the procurement process.
- **Contract Management** – all significant risks associated with all stages of contract
- **Information Governance** – an annual information risk assessment should be carried out to assess the level of risk and compliance with regard to the use of information and data
- **Insurance** – the Council's Insurance team manages insurable risks and self-insurance arrangements.
- **Health and Safety** – the Council has a specific risk assessment policy to be followed in relation to health and safety risks.

Appendix 1: Check List for Risk Identification

Remember, effective risk management improves.....PERFORMANCE

P	Political
	<ul style="list-style-type: none"> • Member support / approval • Change in Government policy • Political personalities • New political arrangements
E	Economic
	<ul style="list-style-type: none"> • Economic downturn - prosperity of local businesses / local communities • Demographics
R	Regulatory:
	<ul style="list-style-type: none"> • Legislation and internal policies/regulations including Health & Safety at Work Act, Data Protection, Freedom of Information, Human Rights, Equality Act 2010 and Public Sector Equality Duty 2011, Employment Law, TUPE, Environmental legislation etc. • Grant funding conditions • Legal challenges, legal powers, judicial reviews or public interest reports
F	Financial
	<ul style="list-style-type: none"> • Loss of/reduction in income/funding, increase in energy costs • Budgetary pressures • Cost of living, interest rates, inflation etc. • Financial management arrangements • Investment decisions, Sustainable economic growth • Affordability models and financial checks • Inadequate insurance cover • System / procedure weaknesses that could lead to fraud
O	Opportunities/Outcomes
	<ul style="list-style-type: none"> • Add value or improve customer experience/satisfaction • Reduce waste and inefficiency • Raising educational attainment and improving the lives of children, young people and families • Maximising independence for older people with disabilities • Developing sustainable places and communities
R	Reputation
	<ul style="list-style-type: none"> • Negative publicity (local and national), increase in complaints
M	Management
	<ul style="list-style-type: none"> • Loss of key staff, recruitment and retention issues • Training issues • Lack of/or inadequate management support • Poor communication/consultation • Capacity issues - availability, sickness absence etc • Emergency preparedness / Business continuity

A	Assets
	<ul style="list-style-type: none"> • Property - land, buildings and equipment, • Information – security, retention, timeliness, accuracy, intellectual property rights • ICT – integrity, security, availability, e-government • Environmental - landscape, countryside, historic environment, open space
N	New
	Partnerships/Projects
	<ul style="list-style-type: none"> • Contracts • New initiatives, new ways of working, new policies and procedures • New relationships – accountability issues / unclear roles and responsibilities • Monitoring arrangements • Managing change
C	Customers
	<ul style="list-style-type: none"> • Changing needs and expectations of customers - poor communication/consultation • Poor quality / reduced service delivery - impact on vulnerable groups • Crime and disorder, health inequalities, safeguarding issues
E	Environment
	<ul style="list-style-type: none"> • Recycling, green issues, energy efficiency, land use and green belt issues, noise, contamination, pollution, increased waste or emissions, • Impact of planning or transportation policies • Climate change – hotter drier summers, milder wetter winters and more extreme events – heat waves, flooding, storms etc

Reviewing and Reporting Framework

High

There are significant risks, which may have a serious impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of residual risk. Any residual red risks at business unit level or arising from projects will be included, alongside corporate risks, in the reports to CMT.

As a minimum review monthly.

Medium

Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively.

As a minimum review quarterly

Low

These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively.

As a minimum review 6-monthly