

Risk Management Policy

2022



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1. Introduction

The Council believes that risk needs to be managed rather than avoided and that consideration of risk should not stifle innovation and creativity.

This policy outlines the approach the Council takes with regards to its responsibility to manage risks and opportunities using a structured, focused and proportional methodology. Risk management is integral to all policy and project planning and operational management throughout the Council and integrates with our corporate governance and performance management

This approach to risk management actively supports the achievement of the agreed actions, projects and programmes included as set out in the Council's adopted Corporate Plan.

2. Risk Management Policy Statement

We recognise risk management as a vital activity that underpins and forms part of our vision, values and strategic objectives, including operating effectively and efficiently, as well as providing confidence to our community. Risk is present in everything we do and it is our policy to identify, assess and manage key areas of risk on a proactive basis. We seek to embed risk management, within operations and developments at New Forest District Council. Risk management needs to be embedded throughout all processes, projects and strategic decisions. This includes procurement and contracting, and we will ensure partnerships and third-party relationships are fully compliant with the risk management policy and strategy of the Council.

Our approach to risk management needs to be fit for purpose, reflect our size and the nature of our various operations, and use our skills and capabilities to the full. Risk management is most effective as an enabling tool, so we need a consistent, communicated and formalised process across New Forest District Council. It is important to define the level of risk exposure that the Executive Management Team considers acceptable for the organisation. This creates a clear picture of which risks will threaten the ability of New Forest District Council to achieve its objectives.

The risk management policy statement and supporting documentation form an integrated framework that supports New Forest District Council in managing risk effectively. In implementing our risk management policy, we provide assurance to all stakeholders that risk identification and management plays a key role in the delivery of our Corporate Plan priorities and related objectives. We will involve, empower and give ownership to all staff to identify and manage risk. Risk management activity will be regularly supported through discussion and appropriate action by senior management.

This will include thorough and regular review and confirmation of significant risks, evaluating mitigation strategies and establishing supporting actions to reduce them to an acceptable level. Managing risks will be an integral part of both strategic and operational planning and the day-to-day running, monitoring, development and maintaining of New Forest District Council.

3. Risk Management Roles and Responsibilities

The key roles and responsibilities are outlined below:

Council

- The Council shall be responsible for approving the Risk Management Policy and ensuring appropriate oversight of the Council's Strategic Risk Register and mitigation plans.

Cabinet

- Endorse the content of the Strategic Risk Register and proposed risk mitigation plans and monitor implementation.
- Own their Portfolio Dashboards and identify cross-cutting risks as well as risks arising from their areas of responsibility
- Be aware of the risk management implications of decisions.

Audit Committee

- Endorse the Risk Management Policy and Strategic Risk Register.
- Provide independent assurance to the Council of the adequacy and effectiveness of the risk management arrangements and associated control environment.

Executive Management Team (EMT)

- Provide corporate leadership of risk management throughout the Council.
- Agree an effective Council-wide framework for the management of risks and opportunities.
- Advise Members on effective risk management and ensure Members receive relevant risk information.
- Ensure that the Council complies with the corporate governance requirements relating to risk management.
- Own the Council's Strategic Risk Register and ensure that risks are reviewed as part of the wider Council's performance arrangements.
- Monitor the implementation of key mitigation plans and controls assurance programmes.
- Ensure processes are in place to report any perceived new/emerging (key) risks or failures of existing control measures.

Service and Senior Managers

- Ensure that risk management, within their areas of responsibility, is implemented in line with the Council's Risk Management Policy Statement and Strategy.
- Own their Service Dashboards and identify cross-cutting risks as well as risks arising from their areas of responsibility; prioritising and initiating mitigating actions.
- Ensure regular review of the Service Dashboards as part of wider Council performance, report risk to Management and EMT on any perceived new and emerging risks, or failures of existing control measures.
- Promote and share good practice across service areas.
- Challenge risk owners and actions to ensure that controls are operating as intended.

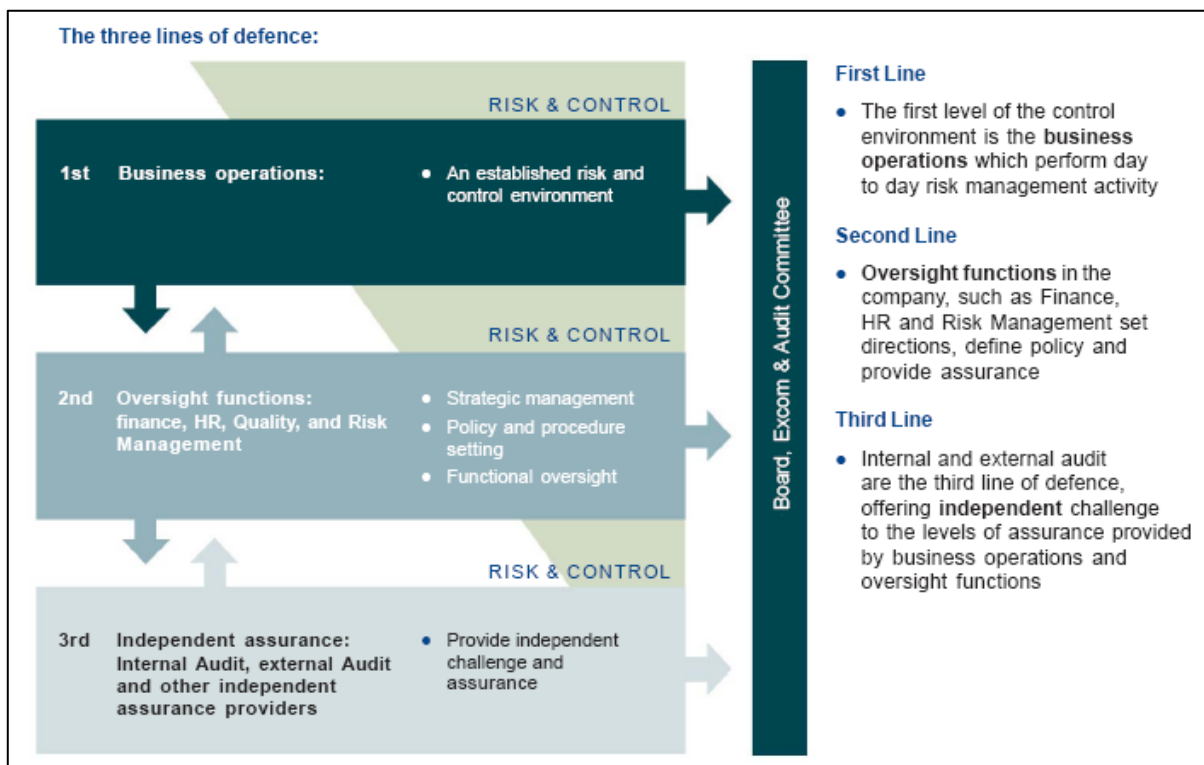
Insurance and Risk Officer

- Lead on the development and manage the implementation of an integrated risk management framework, strategy and process on behalf of the Council.
- Undertake full reviews of the Council's corporate Risk Management Policy statement and approach and update accordingly and present any revisions to EMT, Audit Committee, Cabinet and Council for endorsement.
- Use a range of resources to analyse management information to support recommendations for improvements to risk management policies and procedures.

4. Corporate Responsibility – The Three Lines of Defence

The three lines of defence concept is widely known among the insurance, audit and banking sectors as a risk governance framework. The concept can be used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control to achieve effective risk management, governance and assurance.

The following table is an example of the three lines of defence concept:



First line of defence

As the first line of defence, Service/Senior Managers own and manage risks within their service area. They are also responsible for implementing appropriate corrective action to address, process and control weaknesses. Policies and procedures support Service/Senior Managers in setting best practice in their areas of responsibility. In addition, they report any perceived new and/or emerging risks or, failure of control measures to their Executive Head

Service/Senior Managers are also responsible for maintaining effective internal controls and managing risk on a day-to-day basis. They identify, assess, control and manage risks ensuring that their services are delivered in accordance with the Council's aims and objectives.

Second line of defence

The second line of defence relates to the strategic direction, policies and procedures provided by the Council's corporate functions (e.g. Finance, Legal Services, Procurement and HR). These teams are responsible for defining policies, setting direction, ensuring compliance and providing assurance.

Each department will have members of staff that belong to professional bodies, for example ACCA, which gives assurances that these corporate functions focus on delivering best practice for the council.

Third line of defence

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The aim of the Internal Audit work programme is to provide assurance to management, in relation to the business activities, systems or processes under review that the framework of internal control, risk management and governance is appropriate and operating effectively; and risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

Such risks are identified through senior management liaison and Internal Audit's own assessment of risk. Inspectors and regulators also provide assurance on the management of risk and delivery of objectives.

External Audit provide an independent review of the Council's Annual Financial Report, including the Annual Governance Statement. They provide overall assurance on the accuracy of the Council's financial reporting, and provide commentary on key areas, such as Value for Money.

5. How Do We Evaluate Risks?

The Council evaluates its identified risks on a four-point scale on the likelihood or probability of the risk occurring and the impact caused should the risk occur being rated between low and significant.

A risk matrix is a key tool used to analyse the likelihood and impact of a risk. The Council uses a 4X4 risk matrix, with the score determined by multiplying the 'likelihood' score with the 'impact' score.

Scoring risks allows them to be compared with other risks and enables risk owners to prioritise and allocate more resources to those risks posing the greatest threat to the Council's objectives.

The Council has chosen to divide the rating into RAG bands as shown on the example risk map below:

		I M P A C T			
		Low (1)	Moderate (2)	Major (3)	Significant (4)
L I K E L I H O O D	Highly Likely (4)	Yellow	Yellow	Red	Red
	Likely (3)	Green	Yellow	Red	Red
	Unlikely (2)	Green	Green	Yellow	Yellow
	Highly Unlikely (1)	Green	Green	Green	Yellow

Impact Rating

The following table provides the definitions which should be used when determining whether a risk would have a Low, Moderate, Major or Significant impact.

Impact is defined as the impact to the organisation should the risk materialise.

Each potential risk area should be considered and the highest impact scored should be the score (1-4) that is used to define the overall impact score.

	Low (1)	Moderate (2)	Major (3)	Significant (4)
Financial	Less than £20,000	£20,000 or over and less than £130,000	£130,000 or over and less than £500,000	£500,000 plus
Service Provision	Minor effect	Slightly reduced	Service suspended short term/reduced	Service suspended long term Statutory duties not delivered
Health and Safety	Minor Injury	Broken bones/illness Lost time, accident or occupational ill health	Loss of life/major illness – major injury incl broken limbs/hospital admittance. Major ill health	Major loss of life/large scale major illness
Morale	No effect	Some hostile relationship and minor non cooperation	Industrial action	Mass staff leaving/unable to attract staff
Reputation	No media attention / minor letters	Adverse local media	Adverse national publicity	Remembered for years
Government Relations	One off single complaint	Poor assessment(s)	Service taken over temporarily	Service taken over permanently

Likelihood Rating

Likelihood is the chance of a risk materialising.

It is unlikely that in many cases the probability of a risk occurring can be calculated in a statistically robust manner, the following table can however be used as a guide to inform the judgement made:

Likelihood	Probability
Highly Unlikely (1)	0% to 10% chance of occurring
Unlikely (2)	11% to 40% chance of occurring
Likely (3)	41% to 70% chance of occurring
Highly Likely (4)	71% to 100% chance of occurring

6. How We Respond To Risks?

Once a risk has been identified, the Council need to decide and agree what it is going to do about it. The recognised approaches to controlling risks are described as the five key elements or 5 T's; Tolerate, Treat, Transfer, Terminate and Take the opportunity. These are described in more detail below. It is generally accepted that where a risk can be reduced through some form of treatment or mitigation in a cost-effective fashion then it is good to do so.

As a general principal once a risk has been identified, consideration needs to be given to the five T's and that the chosen approach is seen as being cost-effective so that the control of the risk is not disproportionate to the expected benefits.

The five T's are:

- | | |
|-----------------------------|---|
| Treatment | By far the greatest number of risks will be addressed in this way by using appropriate control counter measures to constrain the risk or reduce the impact or likelihood to acceptable levels. Examples include strategy, process, people or systems' improvement. |
| Transfer | For some risks the best response may be to transfer them and this might be done by transferring the risk to another party to bear or share the risk: e.g. through insurance, contracting or entering into a partnership. Risk can never be fully transferred. |
| Tolerate | Where it is not possible to transfer or treat the risk, consideration needs to be given to how the consequences are managed should they occur. This may require having contingency plans in place, for example, Business Continuity Plans which create capacity to tolerate risk to a certain degree. |
| Terminate | Some risks will only be treatable, or containable to acceptable levels by terminating the activity that created them. It should be noted that the option of termination of activities may be severely limited in local government when compared to the private sector; a number of activities are conducted in the local government sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved. This option can be particularly important in project management if it becomes clear that the projected cost/benefit relationship is in jeopardy. |
| Take the Opportunity | This option is not an alternative to those above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. There are two aspects to this. The first is whether or not at the same time as mitigating threats; an opportunity arises to exploit positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls judged to be good enough to justify increasing the sum of money at stake to gain even greater advantages? The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities. For example, a drop in the cost of goods or services frees up resources which can be re-deployed. |

7. Risk Reporting

Risk management is a dynamic process, and it is vital that Dashboards are kept up to date.

New risks will be identified, and some will be managed and removed. Risks need to be reviewed and reported upon to identify if risks are changing and their impact on the Council's objectives and to gain assurance that risk management is effective. The assessment of likelihood and impact levels for existing risks/opportunities will need to be updated to take into account the management actions undertaken, and contingency arrangements will need to be reviewed in response to changing internal and/or external events.

Regular Review of Dashboards to be undertaken considering the following points:

- Does the current risk score reflect the risk's likelihood and impact at this point in time?
- Is the control environment still sufficient?
- Are the identified controls effective?
- Are there any assurances that can be provided to validate the controls effectiveness levels?
- Is the information shared with officers and are they amending and refining their actions in light of any changes?

Each Service area has a Service Plan Performance Dashboard in place, upon which there is the facility for high risks to be recorded. These will be reviewed by Service/Senior Managers on a quarterly basis to ensure that opportunities are maximised and any resource is allocated appropriately to manage any risks that affect service.

There are Portfolio Dashboards in place which will be reviewed on a regular basis by EMT before presentation to the relevant Overview and Scrutiny Panels (quarterly) to ensure that members are kept informed of key developments in each area. The Portfolio risks and mitigations relating to the Council's achievement of its objectives are recorded in the Portfolio Dashboards, so this enables members to be kept up to date with strategic risks within their areas of responsibility.

The Strategic Risk Register will be reviewed by EMT 6 monthly and then will be presented to Audit Committee and Cabinet for its adoption. Annually this will be reported to Council and will provide a statement of the risks that have been reported through the 12-month cycle. This document will give a focussed and a targeted approach to mitigation and maximise any opportunities as they arise.

8. Document history

Name of policy	Risk Management Policy
Purpose of policy	Key stakeholders must understand their role or responsibilities within the risk management process, and how risk should be managed across the Council.
Policy applies	Corporately
First issued	2022
Latest update	
Update overview	

9. Definitions

Term	Definition
RAG Bands	Red, Amber or Green – Categories of Risk Ratings
EMT	Executive Management Team
SRR	Strategic Risk Register