New Forest
DISTRICT COUNCIL

Risk Management Policy

2025

Contents

1. Introduction

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.

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

2. Risk Management Policy Statement

We consider risk management to be a fundamental function that supports and aligns with our vision, values, and strategic objectives. This encompasses our commitment to operating in an effective and efficient manner while fostering confidence within our community. Acknowledging that risk is inherent in all our activities, our policy mandates the proactive identification, assessment, and management of significant risks. We strive to embed risk management into all operations and initiatives at New Forest District Council. It is essential that risk management is integrated into every process, project, and strategic decision, including procurement and contracting. We will ensure that our partnerships and third-party relationships adhere fully to the Council's Risk Management Policy.

Our approach to risk management must be tailored to our organisation, reflecting our size and the diverse nature of our operations while leveraging our skills and capabilities to their fullest potential. Risk management is most effective when functioning as an enabling tool, necessitating a consistent, well communicated, and formalised process across New Forest District Council. Defining the acceptable level of risk exposure, will provide clarity regarding which risks may threaten New Forest District Council's ability to achieve its objectives.

The risk management policy statement, along with its supporting documentation, establishes an integrated framework that empowers New Forest District Council to manage risk effectively. By implementing our risk management policy, we assure all stakeholders that risk identification and management are pivotal in the execution of our Corporate Plan priorities and related objectives. We will engage, empower, and assign ownership to all staff members in the identification and management of risks. Risk management activities will receive ongoing support and oversight from senior management through regular discussions and appropriate actions.

This includes comprehensive and routine evaluations of significant risks, assessment of mitigation strategies, and the implementation of actions to reduce risks to an acceptable level where possible. Effective risk management will be an integral component of both strategic and operational planning, as well as the day-to-day operations.

3. Risk Appetite

The council's risk appetite is characterised as moderate, emphasising a cautious approach that limits exposure to certain levels of risk. This strategic stance is designed to ensure that the council can achieve satisfactory outcomes while maintaining stability and fostering long-term sustainability in its decision-making processes.

The council's current overall risk appetite is categorised as MODERATE (refer to the table below for definitions). This classification indicates that the council is receptive to innovative approaches and is willing to explore options that may present substantial rewards, even when accompanied by higher levels of risk. Nevertheless, the council prefers safer delivery methods that entail a lower risk, particularly for services mandated by statute.

Risk Appetite Definitions	
Avoid	No appetite. Not prepared to take risk.
Adverse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable outcomes.
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
Hungry	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

4. Risk Management Roles and Responsibilities

The key roles and responsibilities are outlined below:

<u>Council</u>

Consider and adopt the Council's risk management strategy and framework and any amendments/updates as recommended from time to time by the Council's Audit Committee.

<u>Cabinet</u>

Oversee the Principal Risk Register and the proposed risk mitigation plans, ensuring effective implementation.

Stay informed about the risk management implications associated with decision-making.

Audit Committee

Advocate for the robust adherence to the Risk Management Policy and Principal Risk Register, emphasising the need for rigorous oversight and thorough evaluation.

Deliver independent assurance to the Council regarding the sufficiency and effectiveness of the risk management framework and the associated control environment, underscoring the challenges inherent in maintaining high standards of risk oversight.

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 Principal 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.

Own their Service Risk Registers 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 Risk Registers 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 the Risk Management Policy behalf of the Council.

Undertake full reviews of the Council's Principal Risk Register 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.

5. 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:
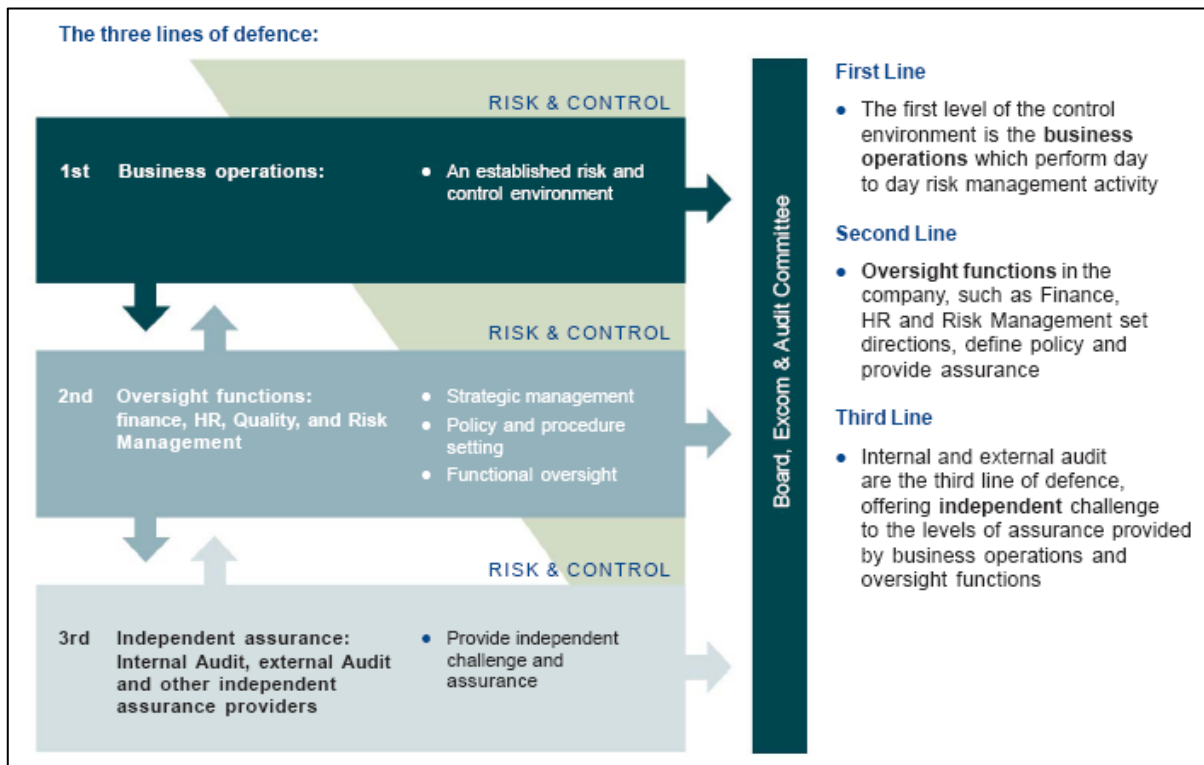
First line of defence

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 Strategic or Assistant Director.

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 keys areas, such as Value for Money.

Audit Committee

The Committee is tasked with overseeing the financial affairs of the Council. Its responsibilities include reviewing the Council's accounts and overseeing both internal and external audit activities. Additionally, the Committee monitors the development and implementation of risk management and governance policies within the Council, as well as policies related to whistle-blowing, anti-fraud, corruption, and bribery. It also oversees Treasury Management activities, approves the Council's Annual Governance Statement, and ensures compliance with various published standards and controls.

5. How do we identify risks?

The Bow Tie Risk Analysis is a professional risk management tool designed to visualise and manage risks effectively. The diagram consists of a central risk event, with potential causes illustrated on the left and consequences on the right, resembling a bow tie. Preventive controls are identified alongside the causes, while mitigating controls accompany the consequences.

In risk management, "controls" are measures implemented to reduce the likelihood of a risk occurring or to minimise its impact when it does, and they can be classified as preventive, or corrective. Conversely, "mitigating controls" are specifically designed to address and reduce the severity of identified risks after they have been assessed. While all mitigating controls are a subset of controls, their primary focus is on reactive measures, such as insurance policies or emergency response plans, aimed at lessening the consequences of potential incidents.
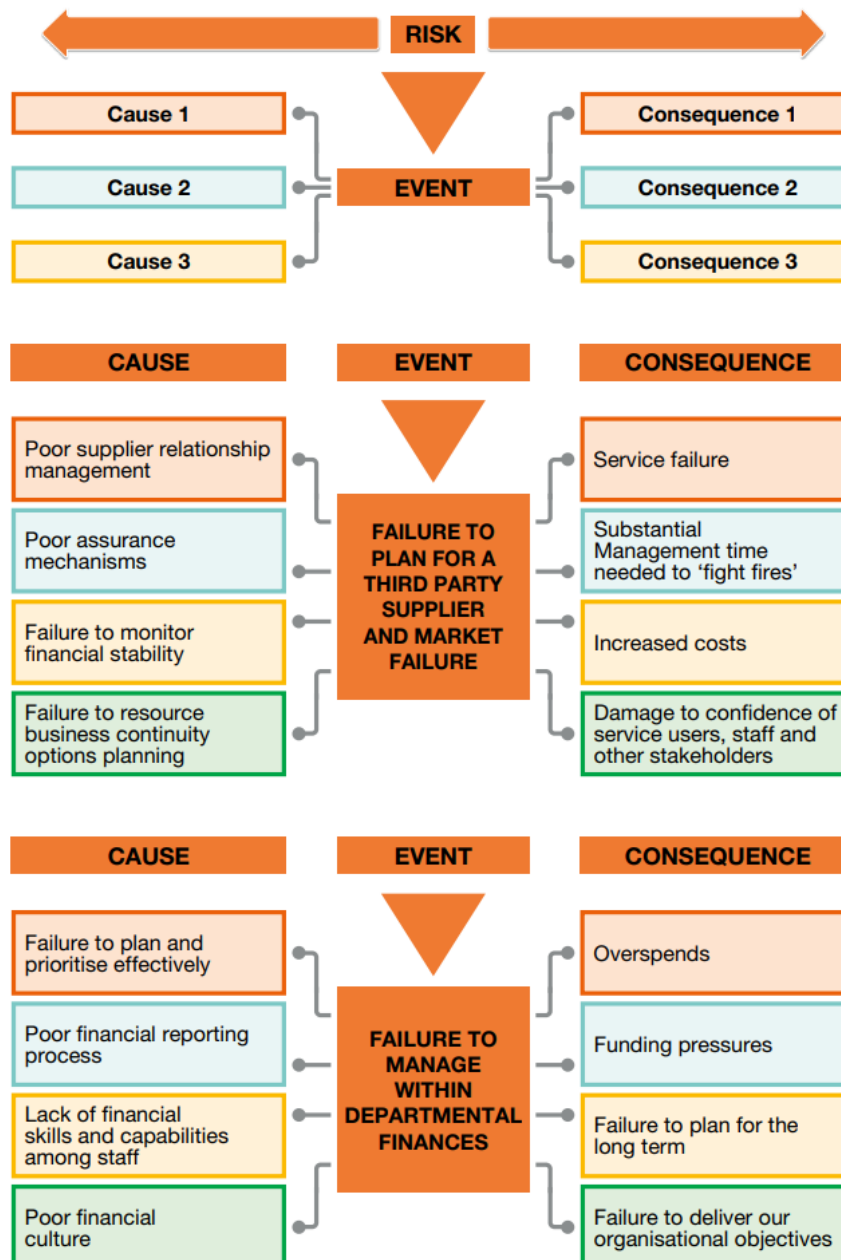
6. How Do We Evaluate Risks?

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:

	IMPACT			
	Low (1)	Moderate (2)	Major (3)	Significant (4)
Highly Likely (4)	4	8	12	16
Likely (3)	3	6	9	12
Unlikely (2)	2	4	6	8
Highly Unlikely (1)	1	2	3	4

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

Principal risks are typically viewed from a broader perspective, providing an overview of the most significant risks that could impact the council's strategic objectives, while service risk registers focus on specific risks associated with individual services or functions. To ensure alignment between these two approaches, a reference to the Principal Risk Register will be included within each service risk register, fostering a comprehensive risk management framework that consistently monitors and addresses key risks at both the strategic and operational levels. In this context, the inherent risk score represents the level of risk in a situation before any controls are applied, whereas the residual risk score indicates the risk that remains after mitigation measures have been implemented.

7.   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. |

The council would ideally prefer not to accept a level of risk that is considered excessively high, as it could jeopardise the safety and well-being of our community, as well as our financial stability and operational effectiveness. Consequently, we are committed to implementing measures to reduce or manage these risks effectively. However, we must acknowledge that there are certain circumstances or unique situations wherein our ability to mitigate risks may be limited, leaving us with few options to address the inherent challenges involved.

8.   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 Service Risk Registers and the Principal Risk Register are 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 is required to maintain a Service Risk Register, which serves as a comprehensive tool for documenting and managing risks from a service perspective, facilitating the effective delivery of their service plans. Every three months, the Insurance and Risk Officer will ask Service and Senior Managers to review their respective risks. It is the responsibility of these managers to ensure that any necessary updates are completed on their Service Risk Registers by the specified deadline. This review process will also identify any risks that need to be escalated to the Principal Risk Register for oversight by the Executive Management Team (EMT). Additionally, urgent issues identified outside of the regular reporting cycles must be reported immediately by the service areas to the EMT for prompt attention.

The Executive Management Team (EMT) will conduct a review of the Principal Risk Register, determining whether to add or remove risks as necessary. The Principal Risk Register will be formally updated every six months. Additionally, there will be a quarterly review every three months, and any material issues that arise will be reported to EMT. This process ensures that actions regarding the principal risks are thoroughly evaluated. Following their review every six months, EMT will recommend the findings (report produced by Insurance and Risk Officer) to Audit Committee and the Cabinet before submitting them to the Council for approval. This approach establishes a focused and strategic method for risk mitigation while effectively capitalising on opportunities as they arise.

Historic versions of Service Risk Registers and Principal Risk Registers will be archived with every revision. If there is a business need to review these documents, they will be maintained in accordance with the council's Corporate Retention and Destruction Policy.

9. 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	2025
Update overview	Reworded risk management statement Section 3 added for Risk Appetite Updated the wording to section 4 which referenced dashboards and anything considered out of date. Three lines of defence diagram updated. Added a diagram for Stating risks: causes, events and consequences within section 5 Added a paragraph to section 6, this is identical to the one used in the Risk Appetite Statement. Added two paragraphs explaining current arrangements for risk reporting. All text has been updated to Verdana Pro and Verdana in line with the agreed corporate format.

10. Definitions

Term	Definition
RAG Bands	Red, Amber or Green – Categories of Risk Ratings
EMT	Executive Management Team
PR	Principle Risks

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