Test Valley Borough Council
Risk Management Strategy

Reviewed June 2019

Contents

1 - Context

1.1 What is Risk Management?

Risk is something that could happen that might have an impact on the achievement of the Council's objectives.

The purpose of risk management is to manage the barriers to achieving these objectives.

Risk Management can be defined as:

> "The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks"
> *ZMMS/SOLACE, Chance or choice? July 2000.*

Risk management is therefore a strategic tool and is an essential part of effective and efficient management and planning.

The Council has a clear vision statement "to be an organisation of excellence committed to improving the quality of life of all the people of Test Valley". In order to achieve this, the Council has established a Corporate Plan. The Plan outlines the Council's priorities for Test Valley over four years. It sets out our direction and provides a co-ordinated focus for all our activities and services for the years 2019 to 2023. The plan has been developed by reviewing the priorities outlined in the previous corporate plans and through customer consultation. It takes into account the views of local people, statistical data about the Borough and the experience of democratically elected councillors. In order to ensure that effective and efficient management and planning takes place, the Council recognises the need to fully embed robust risk management arrangements.

Risk management is a tool for ensuring that the Council makes the most of its opportunities as well as managing potential threats. Clear understanding of the risks around opportunities enables the Council to take innovative decisions with assurance.

1.2 Corporate and Service Risks

Corporate risks are those which cannot be attributed to specific services. They include corporate governance issues, members, overall finance matters, reputation and public confidence levels. The management of corporate risks will look at the corporate control measures in place to guard against these risks happening.

Service risks will tend to be more operational and will relate specifically to the respective service objectives. Actions to prevent or control these risks are likely to be managed at a service level.
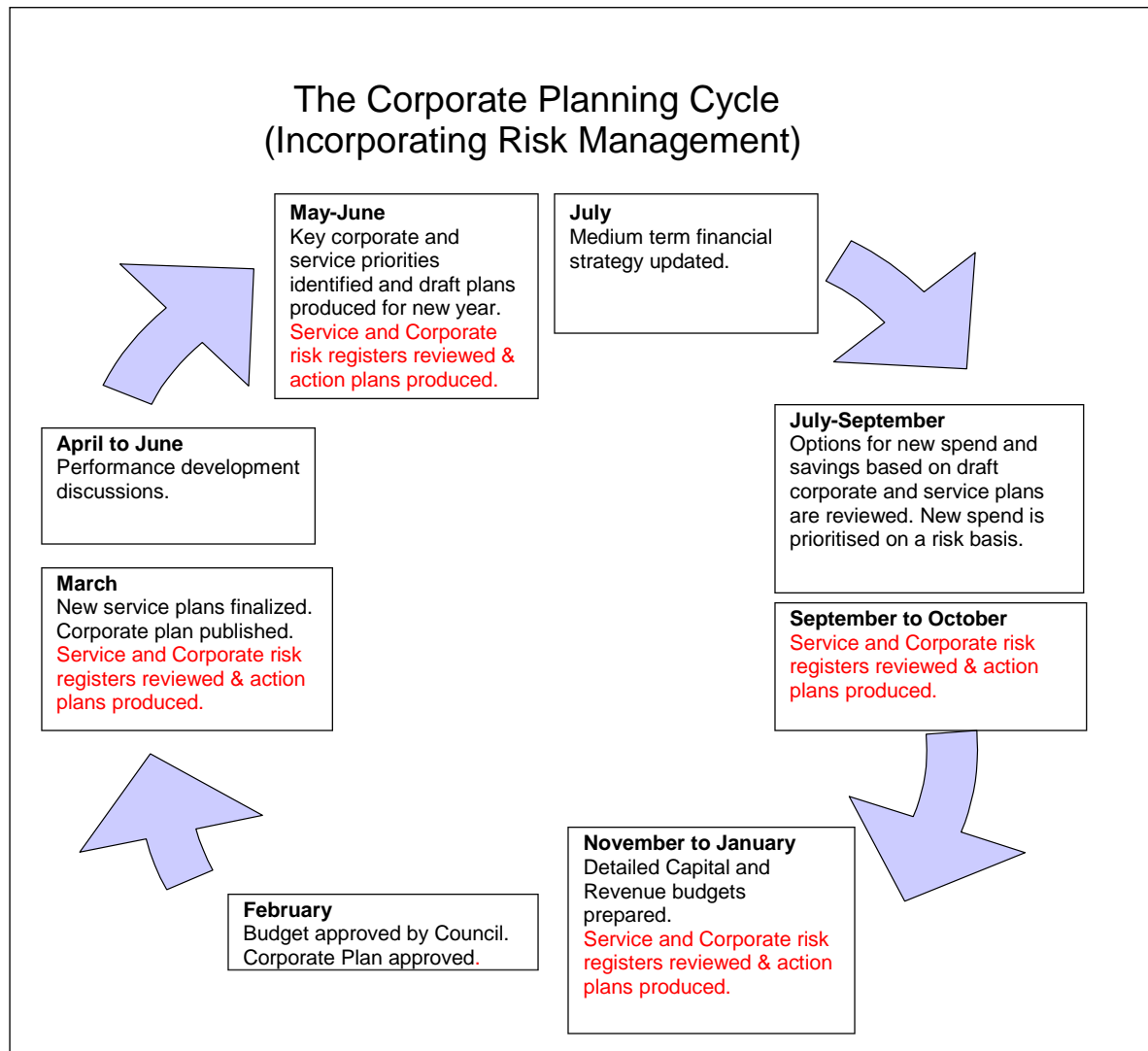
Corporate and service risks are not mutually exclusive and a service risk may have the potential to impact on the whole of the Council and likewise a corporate risk may relate to, or require management from, one particular service.

2 – Strategic Approach to Risk Management

2.1 Risk Management and the Corporate Planning Cycle

The Council recognises the obvious link between corporate planning and risk management. The following is an outline of the corporate planning timetable.

Figure 1: Corporate Planning Cycle

The Corporate Planning Cycle (Incorporating Risk Management)

May-June
Key corporate and service priorities identified and draft plans produced for new year.
Service and Corporate risk registers reviewed & action plans produced.

July
Medium term financial strategy updated.

April to June
Performance development discussions.

July-September
Options for new spend and savings based on draft corporate and service plans are reviewed. New spend is prioritised on a risk basis.

March
New service plans finalized. Corporate plan published.
Service and Corporate risk registers reviewed & action plans produced.

September to October
Service and Corporate risk registers reviewed & action plans produced.

February
Budget approved by Council. Corporate Plan approved.

November to January
Detailed Capital and Revenue budgets prepared.
Service and Corporate risk registers reviewed & action plans produced.

In February the budget is approved. In March service plans are finalised and service risk registers are updated as part of this process. Following this the corporate risk register is reviewed and updated to reflect the new priorities and any emerging risks.
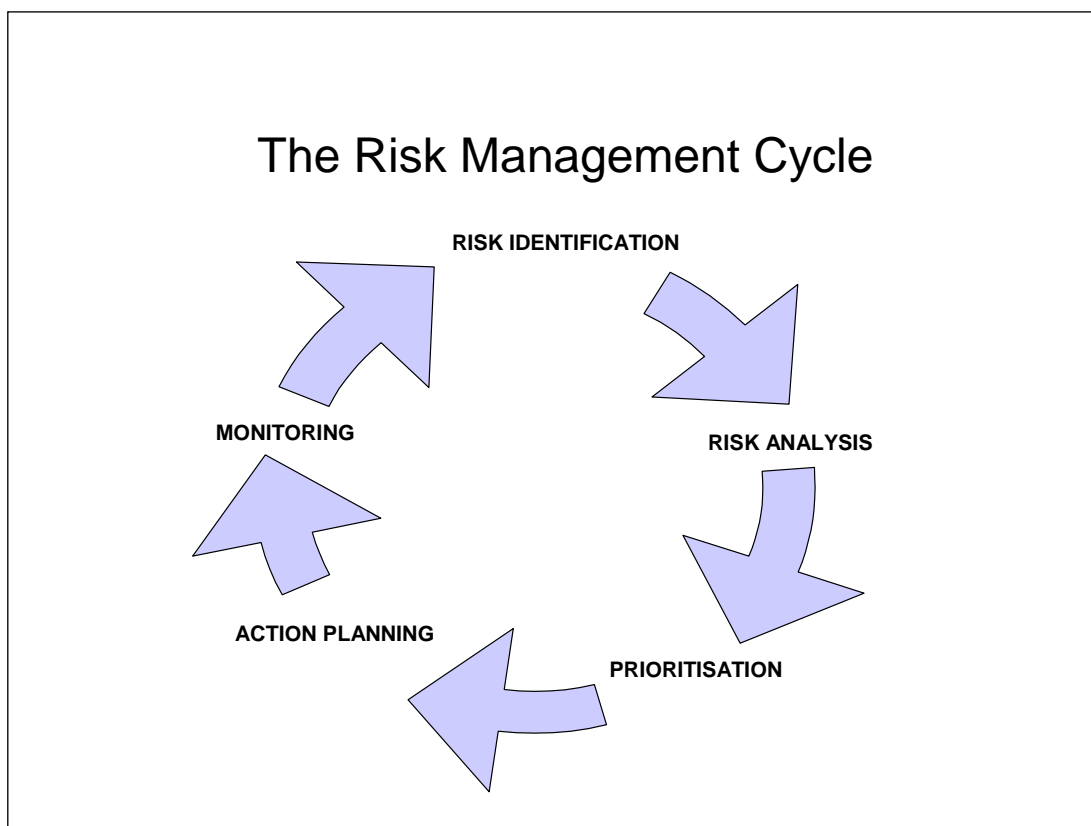
During July to September options for new spend and savings are reviewed and forecasts updated. All options, opportunities and projects included in these forecasts are prioritised by the Officers Management Team during an in depth scrutiny process which considers the risks to the Council.

3 – Implementation of Risk Management

3.1 The Risk Management Process

Implementing the strategy involves identifying, analysing, prioritising, managing and monitoring risks as shown in figure 2.

Figure 2: The Risk Management Cycle

The Risk Management Cycle

RISK IDENTIFICATION

RISK ANALYSIS

PRIORITISATION

ACTION PLANNING

MONITORING

Stage 1 – Risk Identification
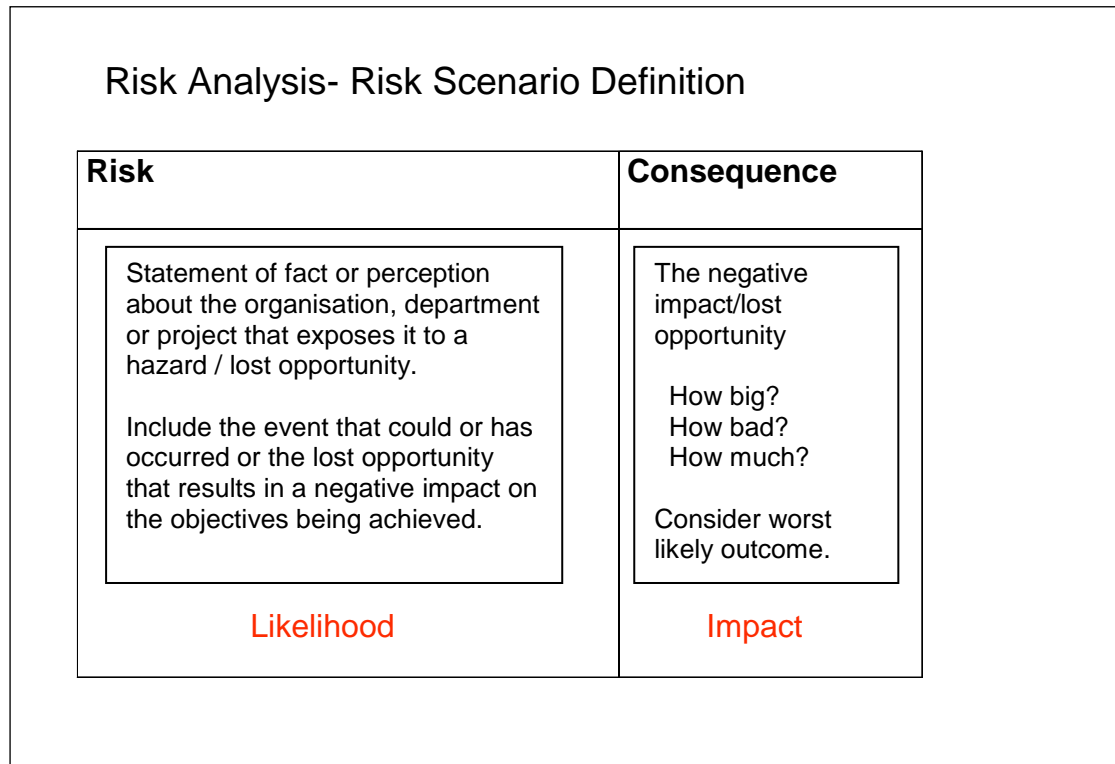
Stage 1 is to identify the 'key' risks that could affect the achievement of business objectives. Appendix 2 can be used as a prompt to ensure that consideration is given to the broad spectrum of potential risk areas. The focus is on identifying 'key' or 'significant' business risks and where possible risks are related back to the service or organisation's key business objectives.

Stage 2 – Risk Analysis

The information that is gathered is analysed into risk scenarios to ensure clear understanding of the root cause and consequences. There are 2 parts to a risk scenario as illustrated in Figure 3.

Figure 3: Structure of a Risk Scenario

Risk Analysis- Risk Scenario Definition	
Risk	**Consequence**
Statement of fact or perception about the organisation, department or project that exposes it to a hazard / lost opportunity. Include the event that could or has occurred or the lost opportunity that results in a negative impact on the objectives being achieved.	The negative impact/lost opportunity How big? How bad? How much? Consider worst likely outcome.
Likelihood	Impact

The risk and consequences are put into context by considering the factors which influence or have a bearing on the likelihood or impact. Often these are external factors such as changes to legislation, government policy or the UK economy.

Existing controls for each risk are listed as they inform the risk prioritisation stage. As part of the action planning stage, the adequacy of these existing controls is looked at before considering further action.

Stage 3 – Risk Prioritisation (Risk Score)

Risks are assessed and scored using a 6x4 matrix, according to the potential likelihood of the risk occurring (within a specified timescale) and its impact if it does.

The risk score also assigns a simple traffic light system which further indicates the priority of the risk and its importance;

- Red risks are high priority and must be addressed immediately then reviewed at least 3 monthly
- Amber risks are medium priority and must be addressed as soon as possible, then reviewed at least 3 monthly
- Green risks are those which are judged to be adequately controlled currently but must still be reviewed. at least 3 monthly

By mapping the scores for all Corporate or Service risks onto the risk matrix this provides the risk profile for the Council as a whole or for a particular Service area.

Figure 4: Risk Matrix

Risk Profile

Likelihood

	IV Negligible	III Significant	II Critical	I Catastrophic
A. Very High	Yellow	Red	Red	Red
B. High	Yellow	Yellow	Red	Red
C. Significant	Green	Yellow	Yellow	Red
D. Low	Green	Yellow	Yellow	Red
E. Very Low	Green	Green	Yellow	Yellow
F. Almost impossible	Green	Green	Green	Yellow

Impact

Stage 4 – Action Planning

For each risk an assessment is made as to whether to control, accept, transfer or terminate the risk.

- **Control** - It is usually possible to mitigate the risk by 'managing down' the likelihood, the impact, or both. Any control measures must reflect the potential frequency, severity and financial consequences of the risk event.

- **Accept** - Some risks may have to be accepted as they form part of, or are inherent in, the activity. In addition there are some risks over which we can have no control and some for which any management actions would be prohibitive in terms of resource. The important point is that these risks are identified, clearly understood and acknowledged.

- **Transfer** – Some risks can be transferred to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc. It is however acknowledged that some risks e.g. reputation can never be transferred.

- **Terminate –** We may be able to eliminate a risk by ending all or part of a particular service or project.

Stage 5 – Monitoring Risk Management

The Corporate Risk Register is reviewed on a quarterly basis as part of the Corporate Dashboard (Performance Management Framework).

The Officers Management Team (OMT) is responsible for ensuring that the key risks on the corporate risk register are managed and the progress with the risk controls monitored at appropriate intervals. A full review of the corporate risk register is carried out annually as part of the corporate planning cycle.

Heads of Service are responsible for ensuring that the key risks in their service risk registers are managed and the progress with the risk controls monitored at appropriate intervals. A full review of each service risk register is carried out quarterly as part of the service planning cycle and Service Performance Boards.

The Overview and Scrutiny Committee (OSCOM) receives an annual progress report on the continued development and embedding of risk management within the Council. Their role is to review the corporate risk register and associated actions.

The Risk Management Strategy and process are also reviewed and updated annually and any changes are approved by the OMT and OSCOM.

3.2 Roles and Responsibilities

Chief Executive and Officers Management Team
The Chief Executive and the Officers Management Team are pivotal in the promotion, demonstration and embedding of risk management within the Council. Their key tasks are:

- recommending to the Cabinet the Risk Management Strategy and revisions thereof;
- supporting and promoting risk management throughout the Council;
- actively identifying, assessing, managing and monitoring corporate risks;
- the Head of Finance takes lead responsibility for championing and embedding risk management within the Council.

Overview and Scrutiny Committee
The Overview and Scrutiny Committee takes responsibility for considering, monitoring and scrutinising the corporate risk management process, as stated in their terms of reference. Their key tasks are:

- challenging and reviewing the effectiveness of the corporate risk management process including the corporate risk register;
- seek assurances that action is being taken to manage key corporate risks;

Members
Members have a responsibility to understand the corporate risks that the Council faces, and are made aware of how these risks are being managed through the annual corporate and service planning process. Members' key tasks are:

- approving the risk management strategy and revisions thereof;
- monitoring the Council's risk management and internal control arrangements;
- reviewing and challenging the effectiveness of the risk management and internal control framework ;
- the Finance Portfolio Holder takes lead responsibility for championing and embedding risk management within the Council;
- using the 'Risk Management' section of committee reports and supporting documentation to consider the risks associated with the decisions they are required to undertake.

Heads of Service
Each Head of Service is responsible for the risk management process within their service. Their key tasks are:

- leading the regular identification, assessment and management of risks to service objectives ;
- incorporating the risk management process into the service planning process;
- encouraging staff to be open and honest in identifying risks or missed opportunities;
- ensuring that the risk management process is part of all major projects and change management initiatives;

- ensuring that all reports written for the Cabinet or General Purposes Committee include a completed risk management questionnaire which assesses the options presented for a decision.

Council Officers
- To consider risk as part of everyday activities and provide input to the risk management process as appropriate.

Internal Audit
- Support the embedding of the risk management process by facilitating the regular review of risk registers and reporting to OMT and Members.
- Work with the Policy Team to develop and integrate risk management into the Council's Performance Management Framework including the hosting of an annual OMT Risk Management Workshop.
- Provide independent assurance on the adequacy of the Council's risk and control procedures;
- Use the corporate and service risk registers to inform the internal audit timetable and plan and as appropriate uses the outcomes of audit reviews to inform the risk management process;
- Provide professional advice on cost effective ways of identifying and managing risk, based on their view of the whole of the Council's services and resources.

3.3 Risk Management in the Decision Making Process

The Council has implemented a revised committee report template for all reports to the Cabinet and General Purposes Committee. The template includes a risk management flow diagram which ensures that risks are considered, assessed and presented consistently to Members to inform the decision making process. The questionnaire acts as a guide to Officers and ensures that the Council's Risk Management approach is followed.

3.4 Risk Management in Partnerships

Depending on the partnership type, some form of agreed plan for managing, monitoring and reporting risk should be agreed on from the start between the Council and the partner organisation.

It is important that the partnership follows one risk management approach and methodology for assessing risk, also that one comprehensive risk register is operated i.e. that contains a number of objectives and their risks.

3.5 Risk Management in Projects

The Council's project management methodology is based on PRINCE2. All major projects are managed using this methodology and as such have been risk assessed from the outset and have supporting risk management documentation.

Risks to projects are managed and monitored by the Project Board and Project Manager.

3.6 Reporting and Recording Arrangements

Risks arise from all levels within the Council. Key risks at a project or operational level can impact on the Council's corporate objectives and are escalated up to the Officers Management Team for consideration and possible inclusion on the corporate risk register as appropriate.

All red risks from service risk registers are collated and considered by the Officers Management Team for potential impact on the Council's corporate objectives. All red risks from projects should be considered by the individual project board and escalated where appropriate to the Officers Management Team for consideration.

Corporate and service risks are recorded in the Council's Performance Management System. Project based risks and risks to be reported to committee are recorded using the Council's standard risk register template which is shown in Appendix 2.

Appendix 1 – Categories of Risk

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or relating to the local political environment	Political make-up, political leadership, policy changes
Economic	Relating to the external, national or local economic position	Cost of living, employment, inward investment
Social	Relating to the effects of changes in demographic, residential or socio-economic trends	Ageing population, health stats, housing needs, deprivation
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands	E-Gov agenda, IT infrastructure, staff/client needs
Legislative/ Regulatory	Associated with current or potential changes in national or European law	EU directives, increasing regulation and "Brexit".
Environmental	Relating to the environmental situation of the Council or the fulfilment of its environmental duties.	Land use, recycling, pollution
Managerial/ Professional	Associated with the way the Council manages itself - corporate direction, resource capacity, staff issues	Recruitment and retention, skills, leadership, culture, objective setting
Financial	Associated with financial planning and internal controls	Budget overspends, level of reserves, external funding
Legal	Related to possible breaches of legislation	Legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of eqpt
Partnership/ Contractual	Associated with contractual and partnership arrangements	Contractor fails to deliver service, partnership fails to deliver objectives
Competitive	Associated with performance management or accreditations	Failure to meet PI's, IIP, position in tables
Customer/ Citizen	Associated with meeting the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

Appendix 2 – Risk Register Template

Risk No	Type of Risk	Risk Owner	Risk (Description)	Factors	Consequences	Existing Risk Controls	Risk Score	Further Action (Y/N)	Required Action	Action Target Date	Target Risk Score
1.	*(example) Financial*	*Head of Service*	*Reduction in Government funding for the provision of particular service.*	*Political change. EU referendum. Interest rates.*	*Unable to continue to provide the same standard of Service. Budget overspends occur.*	*Budgetary control processes in place.*	*CIII*	*Y*	*Review how service is provided.* *Seek alternative sources of income.*	*xx/xx/xx*	*CIII*
2.	*(example) Health & Safety*	*Head of Service*	*Breach of Health & Safety Act.*	*Lack of awareness.*	*Potential Costs awarded against the Council.*	*Staff training. Policy in place. Risk Assessments undertaken.*	*EIII*	*Y*	*Implement rolling training and induction programme.*	*xx/xx/xx*	*EIII*
3.	*(example) Managerial/ Professional*	*Head of Service*	*The performance of a service deteriorates*	*Capacity pressure points. Reduced productivity.*	*Customer expectations are not met. Increase in complaints. Reputational damage.*	*Management review and monitoring of performance indicators.*	*CII*	*Y*	*Review reasons for fall in performance and implement mitigating action.*	*xx/xx/xx*	*EIII*
4.	*(example) Partnership/ Contractual*	*Contracting Officer*	*Failure to achieve value for money or poorly managed contract.*	*Lack of understanding of Procurement regulations.*	*Legal challenge. Reputational damage. Poor vfm.*	*Procurement Officer advice. Contract Standing Orders.*	*DIII*	*Y*	*Training programme when standing orders revised. Project management approach to be adopted.*	*xx/xx/xx*	*DIII*
5.	*(example) Legislative*	*Head of Service*	*Legislation impacts policy affecting provision of Service.*	*Demographic change. Reduction in government funding.*	*Inability to deliver Corporate Plan Objective/s.*	*Monitoring arrangements and Service Planning.*	*BIII*	*Y*	*Develop existing service provision. Revise policies.*	*xx/xx/xx*	*BIV*