Resources Directorate

Risk Management Policy

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1.0   Policy Statement

1.1   The purpose of this policy is to outline how the Council will manage its risks effectively, to enable it to improve services, provide value for money and use resources in an efficient way. The key objectives for having a risk management framework are to:

- Enable the timely mitigation of threats to support the achievement of the Council's objectives.
- Promote effective decision making.
- Support the Council in adhering to statutory and regulatory responsibilities.
- Support and encourage innovation by being aware of the risks that need to be managed but without being overly risk averse.
- Embed a consistent risk management approach within usual business practices across the Council.

1.2   Redcar and Cleveland Borough Council is committed to adopting best practice in the identification, evaluation, and cost-effective control of risk to ensure they are reduced to an acceptable level or eliminated. However, it is acknowledged that some risks will always exist and will never be eliminated.

1.3   To achieve the vision and values as set out in the Corporate Plan, it is essential that the Council identifies, manages, and communicates the range of risks that could threaten the realisation of those values.

1.4   The Council recognises that effective risk management is a key element of effective corporate governance and supports the maintenance of a robust internal control environment. The Governance Framework comprises the systems, processes, culture, and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives.

1.5   The Council will proactively identify, understand, and manage the risks inherent in its services and associated with its plans and strategies to encourage responsible and informed risk taking and decision making. To achieve this, the Council has a focused and structured approach to risk management as described in the Risk Management Policy and the supporting guidance.

2.0   What is Risk Management?

2.1   Risk management is the process used to identify, evaluate, and manage the whole range of business risks facing an organisation.

2.2   Risk can be defined as something happening that could have an adverse impact on the Council's business or objectives. The objective of risk management is to secure the assets and reputation of the organisation and to ensure the continued financial and organisational well-being of the Council.

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3.0   Good Risk Management

3.1   The Council's risks stem from a variety of sources, many of which are out of its direct control. Good risk management is not about eliminating the presence of risk entirely but about identifying what might go wrong, what the consequences might be of something going wrong and deciding what can be done to reduce the possibility of this happening. Effective risk management will attempt to minimise the impact of a risk if it does materialise although it is recognised that, for some risks, the impact will remain high meaning that the focus will have to be on reducing the likelihood. Risk management should ensure that an organisation makes cost effective use of a risk framework that has a series of well-defined steps. The aim is to support effective decision making through a good understanding of risks and their likely impact.

4.0   Risk Management Objectives

4.1   The objectives are:

- Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management.
- Ensure risk management is embedded within our culture and make sure that it is integral to all our business processes.
- Embed risk management as a key part of strategic, operational, financial and project planning and management.
- Ensure that risks are managed in accordance with best practice and that there is a systematic approach to risk identification and assessment.
- Ensure that all parties understand their roles and responsibilities and contribute to the approach to Risk management.
- Ensure the Council successfully identifies and manages risks at a corporate, operational, project and partnership level.
- Ensure that risk management continues to be a key and effective contributor to corporate governance.

5.0   Risk Profiling

5.1

Risk profiling is a central component of risk management that is used to identify, analyse, and control risk and is an examination of what could affect the Council's service provision. This is undertaken to ensure that all key risks are identified and that relevant control measures are in place to mitigate the potential risks that may occur. Once risks are profiled in line with the Council's framework and a residual score identified then they will be placed on the relevant risk register in accordance with their residual risk value and will be managed in accordance with the Council's risk appetite. An initial risk rating is given to a risk, if no control measures were in place, the residual risk rating is the score after all mitigations are put in place and this is the score used for the risk registers. Risk owners and responsible officers will be challenged, to give assurance that control measures are being implemented effectively to maintain the residual risk score and mitigate the risk.

6.0   Risk Appetite

6.1   Risk appetite can be defined as the amount of risk, that the Council is prepared to tolerate/accept in the pursuit of its strategic priorities. The amount of risk an organisation accepts varies from organisation to organisation depending on its unique culture and circumstances. However, factors such as the external environment, financial, people, business systems and policies will influence the Council's appetite for accepting and managing risk. Risk appetite is likely to be informed by an understanding of any existing controls and will also be influenced by the expected reward or outcome.

6.2   Understanding the Council's risk appetite is essential in supporting the delivery of the Council's vision and Corporate Plan. The diverse range of Council activities means that defining one generic risk appetite can be difficult and it will inevitably have a variable appetite to risk in different areas. Decisions will depend on the context, the nature of the potential losses or gains, and the extent to which information regarding the risks is complete, reliable, and relevant. At times, the risks and exposures associated with taking a project or initiative forward may be judged to outweigh the known or likely benefits of delivering it and such scenarios may require the involvement of the Executive Management Team to make a final decision. However, the Council acknowledges that some risk must be taken if it is to achieve its Corporate Plan.

6.3   The Council's approach to risk taking will continue to be managed within the established risk management policy, framework, and process. As such, higher levels of risk will only be accepted based on a thorough understanding of the exposures involved and will be subject to appropriate mitigation controls and authorisation.

6.4   The following will be considered when assessing the risk appetite for each risk:

- **Compliance and Regulation** - The Council's approach will be to minimise exposure to compliance and regulatory risk, whilst accepting an increased degree of risk in other areas in pursuit of our strategic objectives.
- **Service Delivery** – The Council are prepared to accept a moderate to high level of risk arising from the nature of the Council's business operations and service delivery to deliver an appropriate level of service at value for money.
- **Financial** – The Council must maintain long term financial viability and is required to set a balanced overall revenue budget each year. Financial risks will be assessed according to their impact upon the need for the Council to comply with its own reserves and treasury management strategies. There will be a lower risk appetite for any financial risks that we take, that affect the safety and wellbeing of our residents.
- **Reputation** - As a public service, the Council has a low appetite for risk to its reputation and anything that would jeopardise that reputation through any adverse publicity.
- **Organisational Change** - The Council works in a continually changing environment in terms of its internal operations and the services it provides. Projects leading to change or transformation provide the Council with an opportunity to establish benefits for the longer term. The Council recognises that this may require increased levels of risk and is comfortable accepting the risk subject to always ensuring that risks are appropriately managed.
- **Growth** – The Council seeks to invest in the development and regeneration of the borough. This requires it to be innovative in its approach and therefore the Council is

willing to accept a higher risk appetite in return for the expected benefits to the community provided that those benefits have been assessed and carefully considered and mitigated as far as practicable.

▪ **People** – The Council's staff are critical to its success and achieving its Corporate Plan therefore it has a low-risk appetite for anything that is detrimental to staff health and safety (please refer to Corporate Health & Safety Policy) and welfare. The Council will not put the safety of its staff at risk.

7.0   Risk Management Process

7.1   The overall process to be followed for risk management process involves identification, evaluation, management, and review and is as follows:

Identify Risks
Gross Risk Score
Identify Existing Controls
Identify Control Gaps
Residual Risk Score
Monitor and Report
Achieve Objectives/ Mitigate Risk

7.2   These steps enable the Council to:

- understand the nature and scale of its risks.
- identify the level of risk that the Council is willing to accept.
- recognise its ability to control and reduce risk and where it cannot control the risk.
- keep all risks under regular review.
- take action where possible and proportionate.

8.0   Risk Management Methodology

8.1   Identification of risks - a systematic approach will be applied to identify all strategic and operational risks by considering knowledge of the service, the legal, social, political, and cultural environment in which it exists and an understanding of the Council's corporate objectives. Risks are identified through horizon scanning, benchmarking and in response to findings from inspections and audits, government policy changes and engagement with staff and the public.

8.2   Where officers are asking members to make decisions they are advised of any associated risks. Committee reports include a section demonstrating that the risks have been identified and implications highlighted.

8.3   Risk Assessment - following identification of the risks they are then evaluated according to the likelihood of the risk occurring and the potential impact if it did occur. When evaluating the impact of a risk, a range of possible consequences is considered ranging from the impact on staff, the local community, and/or the Council's services.   Cost implications and whether the risk could prevent the Council meeting its statutory and legal requirements are also considered.

8.4   A scoring mechanism for probability and impact is applied as set out below. All risks with a residual risk graded amber or red will automatically be included on the corporate risk register. Risks graded green become part of the directorate risk register.

		Likelihood				
		Zero to low	Unlikely	Possible	Likely	Almost Certain
Impact	Catastrophic	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Negligible	1	2	3	4	5

8.5   The Corporate Risk Register, which captures the Council's most significant risks, is reviewed bi-monthly at the Risk Management Group, quarterly by the Executive Management Team and twice a year by the Governance Committee.

8.6   Directorate Management Teams review their risks quarterly. Directors and Assistant Directors are encouraged to utilise their Risk Registers with their own senior management teams, to ensure a shared awareness of risks relating to their areas of responsibility, and how these relate to the Council's Corporate Risks.

8.7   The Risk Management Group monitor the Risk Registers to identify:
*   new and emerging risks.
*   slippage in implementing control improvements.
*   areas where perceptions of risk are considered inaccurate and may require change.
*   significant risks which may need to be brought to the attention of, or formally escalated for action or further investigation by Executive Management Team or be subject to an assurance or audit review.

8.8   The approach adopted by the Council for profiling project related risks must be consistent and must be applied to any major projects that the Council is considering undertaking. The Council's Project Management procedure is currently 'In Control' and

provides detail on how to manage projects and governance arrangements to support these. Project Risk Logs in line with the Council's Risk Management methodology are required detailing the risk exposure on each project which should be monitored by the Project Management Team throughout the life of the project. Should the project risks need to be escalated then they initially should be reported to the supporting Directorate's DMT and then escalated if required on a risk profile to the Executive Management Team.

8.9   The business continuity process is essentially risk management applied to the whole organisation and its ability to continue with its service provision in the event of an event which impacts on the Council's ability to still deliver a service. The Council must ensure risk management processes are applied throughout the business continuity lifecycle and that plans are in place for critical services so that the business can be maintained should an incident occur.

9.0   Roles and Responsibilities

9.1   Responsibility for risk management runs throughout the Council and it is important that there is clear identification of roles and responsibilities. This ensures the successful adoption of risk management and demonstrates that it is embedded within the culture of the organisation. Everyone has a role to play in the risk management process.

Role	Responsibility
Governance Committee	Review the effectiveness and progress of Risk Management
Executive Management Team (EMT)	Provides oversight of corporate governance activity and review the Annual Governance Statement. Oversee the effective management of risk throughout the Council
Risk Management Group	Actively monitors progress on risk management and keeps EMT informed of any significant risks, including emerging risks.
Directorate Management Team	Ensure the risk is managed within Directorate. Review risks and moderate these prior to inclusion on the relevant risk register
Veritau (Internal Audit Service - Tees Valley)	Challenges the risk management process and provides assurance to the Council on the effectiveness of mitigation controls.
Managers	Manage risk effectively in their area and report risks to their Directorate Management Team
Employees	Manage risk effectively in their job and report hazards to their service manager. They must comply with risk management processes and undertake training where recommended.

10.0 Insurance (Risk Transfer)

10.1   The Council reviewed its insurance arrangements by assessing the Council's risk appetite towards insurance limits and analyse our claims experience over time. This allowed the Council to self-fund any risks that fall below the value of £5 million. It is therefore vital that effective risk management is maintained as this is linked to the Council's revised insurance arrangements. There are some risks which, even with control measures in place to mitigate these risks should they occur, would cause the Council significant financial pain should they be realised, and the Council has purchased catastrophic insurance to cover these situations with some built in safeguards to protect budgets. By setting the revised risk appetite the Council has achieved significant premium saving year on year. The Council's self-funding arrangements pay for claims within the excess level, and these are replenished via the insurance premium recharge arrangements, which are recovered from directorate budgets and include the combined cost of external insurance premiums and the required self-fund contribution. To ensure that the Council maintains the most cost-effective balance between self-funding and external insurance cover an actuarial review of the self-insurance funds is undertaken at least on a 3-yearly basis.

11.0 Fraud Risk Management

11.1   Fraud risk management arrangements are undertaken by Veritau as part of the provision of the internal audit function they deliver. As part of these arrangements Veritau are responsible for providing the Council with counter fraud support services. As part of this role, Veritau maintains a fraud risk register, strategy and policy, the content of which is updated at least annually and is the subject of an annual report to the Governance Committee. National fraud risks are identified as part of a risk assessment and are reviewed in terms of their likelihood and potential impact within the Council. Internal control systems are intended to minimise the opportunity for fraud or misappropriation of assets. The Council's Anti-Fraud, Bribery and Corruption Policy and associated policies are also published on the intranet and widely publicised to staff.

12.0 Risk Assurance Arrangements

12.1   Veritau are developing assurance mapping tools to ensure the key risks are recognised and assured across the Council, working with key officers, to highlight internal controls, compliance requirements, gaps and overlaps and ensure resources are targeted at our critical risks. The mapping will provide details on independent sources of assurance in place and will record the various sources of assurance across the Council whether it be internal audit, external audit, regulatory checks, Ofsted, CQC and others.

12.2   The internal and external auditors form a key part of the Council's assurance arrangements and report throughout the year to the Governance Committee. External Audit express an opinion as to whether the Council's statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. Veritau carry out a programme of assurance work in accordance with the Public Sector Internal Audit Standards (PSIAS) that is based on the Council's key risk areas and provide an annual opinion on the Council's control environment.

12.3   Management of corporate risks is reported through the Council's Annual Governance Statement (AGS).   Each directorate contributes to the production of the AGS by identifying their significant risks and the actions to be undertaken to mitigate them.

13.0 Review of Policy

13.1   This Policy will be reviewed every two years or as required, with any change in legislation or after any major incidents.

13.2   Revisions will be made in the interim, as and when required, to address changes in legislation and/or government policies.