



Risk Management Strategy – 2024			
V1	November 2024	Rewrite of Strategy	Jan Balfour – Internal Audit Manager

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1.0 PURPOSE OF THE STRATEGY

The Council has a clear vision statement “to work collaboratively, to deliver high quality services that support all communities in Test Valley to thrive” ([Corporate Plan 2023-27](#)).

To ensure that effective and efficient management and decision-making takes place, the Council recognises the need to embed robust risk management arrangements by establishing a risk management framework that provides:

- An effective control environment.
- A clear understanding of the types of risk faced by the Council
- Allocation of accountability for risk management.
- A well-established risk-assessment process.
- Performance monitoring of risk management and registers.

2.0 WHAT IS RISK AND RISK MANAGEMENT?

Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.

Risk management is the systematic process of identifying, evaluating and controlling or mitigating threats and uncertainties that may threaten the delivery of the Council’s objectives.

Risk management is a strategic tool and is an essential part of effective and efficient management and planning. Used properly, it is a process which can promote innovation in support of strategic objectives and service delivery, enabling decisions to be taken in the context of all material factors that may affect desired outcomes.

Risk management is part of the Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016). The Framework defines the principles that should underpin effective governance:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. **Managing risks and performance through robust internal control and strong public financial management.**

3.0 **INHERENT RISK**

The purpose of risk management is not to eliminate all risks but to enable a strategic approach to decision making considering the risks that are present.

Indeed, it is impossible for any organisation to eradicate risks altogether. There will always be residual risk related to, for example, human error or wilful deceit; ownership and operation of vehicles and property; exposure to financial markets for cash investments etc.

Inherent risk is considered as the unavoidable risks that the Council will face and cannot be reasonably mitigated. Understanding the inherent risk levels are a key part of setting the overall risk appetite and risk strategy for the Council.

4.0 **RISK APPETITE**

Risk appetite is the amount of risk an organisation is prepared to tolerate to achieve its objectives and defining this provides the strategic framework for effective decision-making. The complex range of different services provided by the Council, and activities undertaken by it, mean that a single set appetite for risk cannot be described.

Decisions on the amount of risk to be accepted are taken in the context of each situation that is being appraised. For example, the appetite for risk when placing treasury investments will be considerably different to the risk appetite for delivering major capital investment.

The approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance. This framework includes risk management that identifies and assesses risks appertaining to actions

being considered or proposed. Decisions on whether to proceed are only taken after careful assessment of the identified risks and analysis of the risks compared to the benefits.

In this context, the Council's risk appetite in any particular setting is the extent to which it is prepared to accept or manage risks that could, potentially, be mitigated.

An example of how this is demonstrated is in the risk management considerations of all reports to the Council's decision making committees. Reports set out the objectives to be delivered and the risks associated with the recommended course of action. In this way, the Council has a dynamic appetite to risk, depending on the nature of what is being considered and the specific context in which decisions are taken.

5.0 AIMS AND OBJECTIVES

The objectives of this risk management strategy are to:

- Integrate risk management into the culture of the Council.
- Manage risk in accordance with good practice and sound governance practices.
- Anticipate, manage and adapt to changes in the risk environment, including, social, economic, political, environmental, legislative and technological requirements.
- Prevent injury, damage and losses and minimise the cost of risk.
- Promote openness and transparency.
- Raise awareness of the need for risk management by all those involved in delivering the Council's services.

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management.
- Incorporating risk management into all levels of business planning and service delivery.
- Reinforcing the importance of effective risk management through ongoing mentoring and training.
- Monitoring of arrangements on an ongoing basis by management and the Audit Committee.

6.0 ROLES & RESPONSIBILITIES

Audit Committee:

As stated in their terms of reference, the Audit Committee takes responsibility for:

- Recommending to Council the Authority's risk management strategy and to promote a culture of risk management awareness throughout the Authority.
- Monitoring the effective development and operation of risk management and corporate governance in the Council.

Councillors:

Councillors have a responsibility to understand the risks that the Council faces and are made aware of how these risks are being managed. They are required to make decisions that take into account the risks associated with any action / inaction. Councillors' key tasks are:

- the Finance & Resources 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.

Management Team:

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

- Recommending to the Audit Committee 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 & Revenues takes lead responsibility for championing and embedding risk management within the Council. This includes ensuring that appropriate and effective training on identifying and assessing risks is given to all relevant officers.

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.
- 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 Management Team and Councillors.
- Work with the Policy Team to develop and integrate risk management into the Council's Performance Management Framework.
- 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 use the outcomes of audit reviews to inform the risk management process.
- Provide professional advice on identifying and managing risk, based on their view of the whole of the Council's services and resources.

7.0 RISK MANAGEMENT PROCESS

Risk Identification and Categorisation

Risks can be categorised under strategic and operational headings:

Strategic (Corporate) risks are those risks identified as potentially damaging to the achievement of the Council's objectives and cannot be attributed to specific services. These include corporate governance issues, overall finance matters, reputation and public confidence levels and are managed at a senior management level.

Operational (Service) risks are those risks that should be managed within Services by officers who are responsible for operating and maintaining the services. Service risks tend to be more operational and relate specifically to the respective service objectives. Actions to prevent or control these risks are managed at a Service level.

Corporate and service risks are not mutually exclusive, and a Service risk may have the potential to impact the whole of the Council and likewise a corporate risk may relate to, or require management from, one particular Service.

Categories of risk and examples of are provided in Appendix 1.

Risk Management Cycle

Implementing the risk management strategy involves identifying, analysing, prioritising, managing and monitoring risks as shown in the figure below:

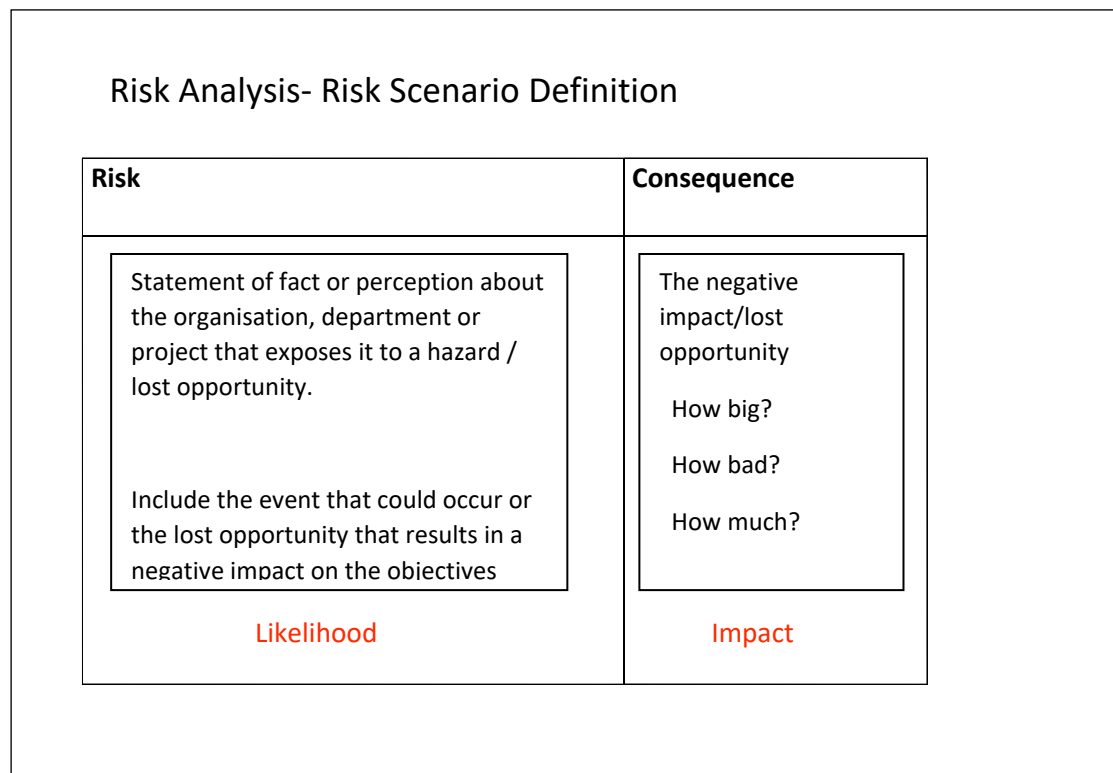


Stage 1 – Risk Identification

Stage 1 is to identify the risks that could affect the achievement of the Council's objectives. Appendix 1 can be used as a prompt to ensure that consideration is given to a broad spectrum of potential risk areas. The focus is on identifying significant business risks and relating these back to the service or organisation's key business objectives.

Stage 2 – Risk Analysis

The information that is gathered is then 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 the figure below:



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 measures in place to manage each risk are listed as they inform the risk prioritisation stage. As part of the action planning stage, the adequacy of these 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 Impact Scoring Matrix in Appendix 3 provides a framework for assessing impact.

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 but must still be reviewed on a regular basis.

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

RISK SCORING MATRIX

<u>Likelihood</u>					
A. Very High					
B. High					
C. Significant					
D. Moderate					
E. Low					
F. Very Low					
		IV Negligible	III Significant	II Critical	I Catastrophic
		<u>Impact</u>			

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 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 the Council has 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 – The Council 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 regular basis by senior management as part of the Council's performance management framework.

Management Team is responsible for ensuring that the key risks in the corporate risk register are managed and progress with the risk controls monitored at appropriate intervals. Regular reviews of the corporate risk register are carried out through sessions facilitated by the Internal Audit Manager.

Heads of Service are responsible for ensuring that the key risks in their Service risk registers are managed and progress with the risk controls monitored at appropriate intervals. A full review of each Service risk register is carried out annually as part of the Service planning cycle and throughout the year as part of the performance management framework.

The Audit Committee receives a 6 monthly update on the Corporate Risk Register and the continuing development and embedding of risk management within the Council. Their role includes review of the corporate risk register and associated actions.

The Risk Management Strategy and process are also reviewed and updated annually, and any changes are recommended for approval to the Audit Committee.

8.0 RISK MANAGEMENT IN THE DECISION-MAKING PROCESS

The Council has a committee report template for all reports to decision making committees. The template includes a risk management flow diagram which ensures that risks are considered, assessed and presented consistently to Councillors 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. Risks reported to committee are recorded using the Council's standard risk register template which is shown in Appendix 2.

All reports to committee are reviewed by, as a minimum, the Head of Finance & Revenues and Head of Legal & Democratic Services. This review includes an assessment of whether all appropriate risks have been properly identified and described to enable the committee to reach an appropriate decision.

9.0 RISK MANAGEMENT IN PROJECTS

All major projects are managed using PRINCE2 or Agile methodologies and as such are risk assessed from the outset and have supporting risk management documentation e.g. RAID (Risk, Assumptions, Issues, Decisions) logs.

Risks to projects are managed and monitored by the Project Board and Project Manager. All red risks from projects should be considered by the individual project board and escalated where appropriate to Management Team for consideration.

10.0 SUMMARY AND CONCLUSION

Effective risk management is fundamental to the efficient running of any organisation. This strategy sets out the responsibilities of all those involved in the identification, assessment and plans to mitigate the range of risks that the Council must manage.

The strategy does not seek to eliminate all risks. It sets out a framework within which risks are thoroughly assessed so that reasoned decisions can be made on what action, if any, should be taken to reduce the likelihood of a risk event occurring or the impact of it.

Appendix 1 – Categories of Risk

Risk	Definition	Examples
Political	<p>Associated with the failure to deliver either local or central government policy or relating to the local political environment.</p> <p>Unacceptable levels of control exerted by a small number of individuals, not open to scrutiny or challenge.</p>	<p>Political make-up, political leadership, policy changes</p> <p>Examples of governance weaknesses where Councils have failed</p>
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 statistics, 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	IT infrastructure, staff/client needs
Legislative/ Regulatory	Associated with current or potential changes in national law.	Environment Act and changing requirements
Environmental	Relating to the environmental situation of the Council or the fulfilment of its environmental duties.	Land use, recycling, pollution, nitrates
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 management, level of reserves, uncertainty of external funding

ANNEX 1A

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 equipment
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 and other accreditation standards
Customer/ Citizen	Associated with meeting the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation
Reputational	Associated with failure to meet stakeholder expectations and loss of credibility and/or trust.	As a result of an event, behaviour, action or inaction e.g. poor customer service

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. National budget pressure	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	DIII
2.	(example) Health & Safety	Head of Service	Breach of Health & Safety Act.	Lack of awareness.	Potential Costs awarded against the Council. Injury to an employee or third party	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 value for money.	Procurement Officer advice. Contract Standing Orders set out requirements.	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 Objectives.	Monitoring arrangements and Service Planning.	BIII	Y	Develop existing service provision. Revise policies.	xx/xx/xx	BIV

Appendix 3 – Risk Impact Scoring Matrix

Score	Impact Level	Likelihood	Service Delivery/ Performance	Political/ Reputational	Health & Safety	Technology/ Data Protection	Financial
IV	Negligible	Very Low (F) to Significant (C)	Minimal Service disruption in non-critical area of the service for brief period (hours)	Contained within service area. Complaint from individual/ single supplier/ small group. No press interest. Minor delay in Council objectives.	Minimal injury or discomfort. No need to report notifiable incident to the HSE.	Minimal technological failure. Security breach with minimal impact on day-to-day service delivery. Minimal/contained risk of any personal data being compromised.	Costing less than £10,000
		High (B) to Very High (A)					
III	Significant	Very Low (F) to Low (E)	Moderate Service disruption of an important service area for a period up to a week.	Adverse media interest/publicity of a major and persistent nature. Lowered perception/ standing. Moderate criticism from local government community. Significant delay in Member objectives.	Serious injury sustained by one or more individuals. Prohibition notice served by HSE that closes a key facility.	Technological failure/ security breach with a significant impact on IT assets essential for the day-to-day operation of services. Risk of a contained group of individuals' personal data being compromised/ revealed.	Costing more than £10,000 and up to £250,000
		Moderate (D) to High (B)					
		Very High (A)					
II	Critical	Very Low (F)	Significant Service disruption across several important areas of service for protracted period.	Adverse and persistent national media interest. Adverse central government response/criticism. Public enquiry. Threat of removal of delegated powers. Major delay in Council objectives.	Serious permanent disablement of an individual or several people. Prosecution under Corporate Manslaughter Act.	Technological failure/ security breach with a detrimental significant impact on IT assets essential for the day-to-day operation of critical services. Risk of multiple areas of personal details being compromised/ revealed.	Costing more than £250,000 and up to £3m
		Low (E) to Significant (C)					
		High (B) to Very High (A)					
I	Catastrophic	Very Low (F) to Low (E)	Complete service failure across critical areas of service for protracted period.	Adverse and persistent national/ international media interest. Adverse central government response/criticism.	Death of an individual or several people. Prosecution under	Severe and prolonged technological failure/ full security breach with detrimental impact	Costing more than £3m

ANNEX 1A

		Moderate (D) to Very high (A)		Public enquiry. Threat of removal of delegated powers. Officer/ Councillor resignation/s. Complete failure to meet Council objectives.	Corporate Manslaughter Act.	IT assets essential for the day-to-day operation of critical services. Large scale breach of personal details being compromised/ revealed and exposed to groups undertaking fraudulent activity.	
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