



## **Risk Management Policy**

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## **1. Risk Management Policy Statement**

This Policy Statement outlines the Council's commitment to managing risk which it acknowledges is fundamental to effective Corporate Governance. It should be read in conjunction with the Risk Management Strategy (section 2) and Risk Management Toolkit (separate document).

As a component of the Council's Corporate Governance Framework, risk management provides a positive contribution towards the achievement of the Council's vision, priorities and objectives by identifying risks and providing assurances that those risks are actively managed. Risk management is the culture, processes and structures that enable effective identification and management of adverse events and opportunities. Risk Management also provides the tools and techniques to manage the threats to the Council achieving its objectives. Overall, the Council seeks to minimise threats and maximise opportunities to deliver its strategic outcomes and objectives.

The Council recognises that by ensuring that risk management is integrated into service planning and delivery arrangements its ability to achieve its objectives will be enhanced. Therefore, the Council seeks to proactively identify, understand and manage the threats and opportunities involved in service delivery as well as those associated with our plans and strategies, to encourage a responsible and informed approach to risk management.

Risks can impact the Council in a number of ways and effective risk management enables us to ensure that we have the correct level of control in place to provide assurance that we are managing the risks appropriately and in a standard way across the Council.

The Council's attitude to risk is to operate in an environment where risks are identified, understood and proactively managed rather than avoided. It is acknowledged that some risks will always exist and will never be eliminated, and that it is important for decision makers to understand the nature of risk as well as accepting responsibility for risks associated with their area of responsibility. Effective risk management is essential for both the Council and our partners to achieve objectives and improve outcomes for all stakeholders.

This Policy is supported by the Risk Management Toolkit (separate document) that provides detailed information on the Risk Management Process.

## **2. Our Strategy**

The aim of the Risk Management Framework is to ensure that within West Lancashire Borough Council, risks are identified, managed and reported efficiently and effectively. This will improve efficiency and the delivery of services, improve allocation of resources and enhance risk reporting.

Our aims are to:

- Make risk management an integral part of the planning and decision making processes of the Council, it is to be used as a component in all critical decisions.
- View risk management as not solely a compliance issue, but rather a way of viewing our strategy and operations with a significant impact on long-term viability.
- Develop the use of risk management in our dealings with third parties such as through partnerships, contracts, and other new service delivery models.
- Develop a more integrated risk management approach by identifying risk at all levels of the Council.
- Ensure that all staff, at all levels, operate with a greater understanding of how their role is valuable to the Council, and the importance of risk mitigation in the fulfilment of their duties.

In order to move towards a more formal, integrated and embedded approach, we recognise that such fundamental changes in approach and mind-set cannot be achieved 'overnight'. This strategy aims to bring together and develop existing risk management practices.

It is acknowledged that fundamental to the success of risk management is that an according level of training is provided.

### **3. Risk Assessment**

Risk can arise directly or indirectly from every action that we take, project that we deliver and contract that we enter into. Risk assessment is therefore an integral part of all Council activity.

It is the Council's policy that all substantive activities should be subject to risk assessment. This includes all significant projects, for example, financial developments, legislative developments, human resource initiatives, health and safety, communication upgrades, partnerships and IT developments.

Risks should be assessed adhering to the Council's Risk Management Process, and using the Risk Management Toolkit for guidance. The Process requires that the impact and likelihood of each appropriate classification category of an inherent risk is evaluated and a review of the articulation of the current controls in place to determine whether they are adequate and effective. The risk is then scored on the Council's Corporate Risk Matrix (section 19). This score determines whether the risk sits within the Council's Risk Appetite (section 18) and consequently the action that is required to be taken. After action the residual (current) risk is then monitored using the same matrix and further action taken if appropriate.

### **4. Service Risk Registers**

Managers are responsible for ensuring that all significant risks are included in Service Risk Registers using the Pentana Risk system. The risk register should describe the risk event, identify who the risk has been assigned to and who is responsible for managing the risk, potential effects, internal controls and an inherent, current and target risk assessment. Risks should be deactivated when the risk no longer presents and new risks added as soon as they are identified. Service risks are not deactivated without approval from the appropriate line manager.

### **5. Corporate Risk Register**

This records significant risks that are likely to affect more than one Service. It also records major corporate and directorate initiatives, procurement or projects. It is a key part of the corporate planning process. It includes, for example:

- Major safety risks that could result in fatalities to residents/stakeholders or staff
- Major financial risks
- Risks that could prevent the Council from meeting its strategic objectives
- Major risks to the Council's reputation e.g. adverse media coverage, adverse reactions from the public where a policy decision, new initiative or service change is likely to be controversial
- Risks relating to overriding issues of corporate concern.

Corporate risks cannot be added or deactivated without agreement from the appropriate Head of Service.

## **6. Risk Ownership and Management**

Every risk must be assigned to one officer. The assigned officer has day to day responsibility of the risk and for updating the risk register, they are the risk owner. The risk manager is the designated member of staff (or management group) who carries the ultimate responsibility for ensuring that the risk is being effectively managed by the officer who is assigned to the risk. The risk manager along with the risk owner is responsible for agreeing and delivering the action plan to control the risk and monitoring progress against it. This is a key element in the risk management process as it is crucial that risks are not just identified and assessed but that they are also effectively controlled and monitored.

Internal control is key to effective risk management and plays a significant part in the management of risks. Actions, procedures and operations undertaken to transfer, terminate, tolerate or treat a risk should be detailed on the Risk Register. Internal controls should be scored as to their effectiveness and allocated to a control owner. Action to be taken should be referenced in the Service Action Plan.

## **7. Risk Reporting and Monitoring**

Monitoring reports on risks are produced on a six monthly basis for the consideration of Cabinet and Executive Overview and Scrutiny, and on a quarterly basis for the consideration of CMT.

Heads of Service are responsible for monitoring their Service Risk Registers on a quarterly basis. They are also responsible for making sure that any corporate risks within their Service are added to and, when appropriate, removed from the Corporate Risk Register.

## **8. Risks and the Decision Making Process**

Risks need to be addressed at the point at which decisions are being taken. Where Members and officers are asked to make decisions they should be advised of the risks associated with the recommendations being made. Consequently, the Council needs to be able to demonstrate that it has taken reasonable steps to consider the risks involved in a decision.

All reports requiring key decisions, including new and amended policies and strategies, must therefore include a section to demonstrate that risks have been addressed. This does not guarantee that decisions will always be right but the important point is to demonstrate that risks have been considered and to have evidence that will support this.

## **9. Role of the Risk Management Working Group (RMWG)**

Although every member of staff carries some responsibility for the management of risk, the Authority identifies the Risk Management Working Group (RMWG) as responsible for maintaining and developing the Risk Management Framework. Heads of Service nominate Risk Management Champions to represent each service area on the RMWG.

The RMWG meets twice yearly and more frequently if required, to consider the following;

- Issues and improvements to the Risk Management Framework,
- Risk management training requirements,
- Risks facing the Council,
- Disseminating good practice requirements for risk management,
- How to further improve and embed risk management culture within the Council, to support its decision making process, strategies and operations.

## **10. Role of Risk Management Champions**

The Risk Management Champion is responsible for maintaining and developing the Risk Management Framework within their Service, supported by the RMWG. The Risk Management Champion's role is to:

- Attend meetings of the RMWG or nominate a suitable substitute when unable to attend.
- Disseminate information discussed at the RMWG to their Service and feedback to the group accordingly.
- Support their Head of Service in implementing the Risk Management Framework within their Service.
- Raise any issues regarding risk management with the Risk and Insurance Officer.
- Advise the Risk and Insurance Officer if any risk management or Pentana training is required within their service.
- Give advice and guidance to managers/officers within their Service on preparing risk assessments for committee reports.
- Provide advice and guidance to those updating risks on the Pentana system.
- Help to promote and embed Risk Management within their Service in order to engage staff in the management of risk.

## **11. Role of Heads of Service**

The role of Heads of Service is to:

- Implement policies on risk management within their Service including ensuring that up to date risk registers are maintained.
- Review their Service Risk Registers, as a minimum, on a quarterly basis to satisfy themselves that adequate controls for risks are in place.
- Review their Service Risk Registers and ensure that Corporate Risks are added to and removed from the Corporate Risk Register when appropriate.

- Review the risk management system to ensure that it is functioning effectively and that any further actions required are detailed in Service Action Plans.
- Embed the importance of risk management within their Service and ensure that strategic risks are communicated to employees and that day to day operational risks are communicated to senior management.
- Determine the nature and extent of the principal risks we are willing to take in achieving our strategic objectives.
- Implement risk management systems to identify the risks we are facing and to make a robust assessment of the most significant risks.
- Determine how significant risks should be managed or mitigated to reduce the likelihood of their incidence or their impact.
- Carry out service risk assessments as part of service action planning and internal / external reviews, monitor and review the effectiveness of the actions.

## **12. Role of Employees**

Each employee has a role to take in the Risk Management Process and should;

- Be familiar with, understand, accept and implement the Risk Management Framework.
- Report inefficient, unnecessary or unworkable controls.
- Report loss events and near-miss incidents.
- Cooperate with management on incident investigations.
- Ensure that visitors and contractors comply with procedures.

## **13. Role of Audit**

Internal Audit evaluate risk management processes continuously in order to provide assurance to Members and Senior Management that significant risks are being managed appropriately and that the Risk Management and Internal Control Framework is operating effectively. Our External Auditors may also conduct separate, independent reviews of the Risk Management Framework from time to time. The findings from this work will be included in the annual report to the Audit and Governance Committee.

## **14. Governance Arrangements**

The Authority's Risk Management Framework is critically important in the context of governance and the Audit and Governance Committee has responsibility for ensuring that the Framework operates effectively. An annual report is produced for Cabinet, Audit & Governance and Executive Overview and Scrutiny Committee on the operation of the Risk Management Framework so that they can assess its effectiveness.

## **15. Skills, Expertise and Guidance**

Having established roles and accountabilities for risk management, the Council must ensure that it has the necessary skills and expertise to deliver this Framework. This will be accomplished through an on-going programme of risk management training and development.

All documents relevant to Risk Management are available via the Council intranet <http://intranet.westlancsdc.local/rules-and-regulations/risk-management.aspx> which contains appropriate guidance to assist officers in carrying out their duties effectively.

A Risk Management Toolkit provides practical examples of how to apply the Risk Management Process.

## **16. Making Others Aware of Risk Management**

The Authority recognises the potential for benefits and rewards from partnership working and it also recognises the risks involved. Whilst this risk can be managed by the Authority through formal contracts and partnership agreements that clearly allocate risks to the appropriate parties, failure by either or any one of those parties to manage their risks can have serious consequences for the other(s).

Consequently, before entering into the partnership, joint working or business contract arrangements, prospective partners and contractors should be asked to state their approach to risk management and to provide certain minimum evidence to support their response.

It is recommended that when entering into partnership, joint working or contracts with outside agencies that a project risk register is created and is maintained on the Pentana System until all associated risks are realised.

## **17. Maintenance and Development of the Risk Management Framework**

This Risk Management Policy along with the Toolkit are reviewed on an annual basis. The results of this review will initially be reported to the Audit and Governance Committee and Executive Overview & Scrutiny Committee in January of each year for detailed consideration before being submitted to Cabinet for formal approval in March.

## **18. Risk Appetite Statement**

The Council defines Risk Appetite as the amount of risk it is willing to pursue or retain in pursuit of its objectives. The purpose of Risk Appetite is to set out the Council's attitude to risk and to provide consistency in the decision-making process.

Risk Appetite levels range on a scale from low to high depending on our willingness to accept either Inherent or Residual Risk. Inherent Risk is “the exposure arising from a specific risk before any action has been taken to manage it”. Residual Risk is “the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective”. The Risk Appetite helps us to determine our tolerance to individual initiatives, projects or programmes, which enable the delegation of risk management responsibilities, with clear responsibility thresholds and escalation paths.

Each risk is considered against the Risk Appetite for a number of categories. These Appetite Levels are defined in the statement below:

### **West Lancashire Borough Council Risk Appetite Statement**

Key

Risk Type	Risk Appetite
Reputational	3
Legislative / Regulatory / Compliance	2
Financial	3
People	3
Health & Safety	1
Operational	2
Environmental	3
Physical Systems & Assets	3
Political	2

Ratings	Risk Appetite	Meanings
1	Low	Residual risk only acceptable in extreme situations (e.g. where the risk has a very low impact and likelihood)
2	Medium	Residual risk is managed down on a cost-benefit basis. A medium amount of risk is acceptable however, on balance, control is weighted higher than acceptance.
3	Significant	Residual risk is accepted to significant levels. Significant implies a pure cost-benefit approach.
4	High	Residual risk is accepted to high levels

The Council operates within a medium to significant overall risk range. The council's lowest risk appetite relates to Health & Safety risk, including employee health and safety, with a higher risk appetite towards its reputational, financial, people, environmental and physical systems and asset risks. This means that in general risks will be considered on a cost benefit analysis unless they involve health and safety, legislation and compliance, political or operational risks where control is weighted higher than acceptance of the risk.

### **Reputational**

The 'reputational' category refers to the risk of a significantly adverse or damaging perception of the Council by the general public and West Lancashire Borough residents.

**Risk Appetite;** The Council has a concerned approach with regards to any project or activity that would seriously threaten its reputation. It understands however that not all stakeholders will have the same opinion on projects, programmes of work and service delivery and so each project/ programme will be considered with regards to its reputational impact.

### **Legislative / Regulatory / Compliance**

The "legislative / regulatory / compliance" category refers to the risk of successful legal action being taken against the Council, or of the Council breaching law in its activities and operations, and is also the risk of losses, possibly fines, and other sanctions arising from non-compliance with laws and regulations.

**Risk Appetite;** The Council is committed to a high level of compliance with relevant legislation, regulation, sector codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. The Council has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.

### **Financial**

The "financial" category relates to the risk of financial pressures affecting the Council's ability to provide services.

**Risk Appetite:** The Council is willing to take calculated financial risks in order to achieve its objectives, subject to legislation being complied with.

### **People**

The "people" category relates to the risk of the Council's ability to attract and retain competent and motivated staff to achieve its objectives.

**Risk Appetite:** The Council is committed to investing in strategies to attract, manage, motivate, develop and retain competent staff to achieve its strategic goals. Activities that threaten to diminish its ability to meet this commitment require careful consideration.

### **Health & Safety**

The "health & safety" category refers to the risk of hazards that can lead to the harm, injury, death, or illness of staff or citizens.

**Risk Appetite:** The Council has zero tolerance for risk being taken with regards to health & safety.

### **Operational**

The "operational" category refers to the risk of not being able to provide Council services and the effect that this has on customer satisfaction. It also relates to the risk of fraudulent activity occurring.

**Risk Appetite:** The Council places great importance on ensuring that its activities and services operate efficiently and effectively. There is a low appetite for any business interruptions that may jeopardise its standards of services, operations or could lead to a loss of satisfaction by its citizens, customers and stakeholders.

Fraud could arise from either internal or external parties who attempt to defraud the Council by circumventing its processes and controls, including those operated by our third party providers (e.g. within our outsourced activities).

The Council has a commitment to high ethical standards and a desire to prevent and deter harm to its stakeholders. It seeks to limit the risks associated with fraud, particularly internal fraud and has a zero appetite for any fraud

### **Environmental**

The "environmental" category refers to the risk of an impact of any function, service, operation, project and programme upon the environment.

**Risk Appetite:** The Council has a strong interest in protecting and preserving the environment. There is a low appetite for activities which will significantly degrade the environment

### **Physical Systems & Assets**

The “physical systems and assets” category refers to the risk to physical structures (buildings, facilities, locations, equipment, etc.) and systems e.g. IT, which ultimately support the provision of services.

**Risk Appetite:** In pursuing its objectives, the Council is open to taking a moderate degree of risk, and is prepared to accept major changes, upgrades, projects and programmes where these are intended to bring significant improvements to property, assets, facilities or services.

**Political**

The "political" category refers to the risk of disruption to objectives leading to intervention by political members and the impact of this upon political structures.

**Risk Appetite:** The Council has a low appetite to the disruption of any objective that would lead to the involvement of political members and cause political instability.

**19. Corporate Risk Assessment**

**Impact**

Score	What is the worst that could happen?
<b>Low</b>	Minor loss, delay, inconvenience or interruption, very minor damage to reputation and very minor health & safety issues. Opportunity to innovate/make minor improvements to performance missed/wasted. Short to medium term effect.
<b>Medium</b>	Waste of time and resources. Good opportunity to innovate/improve performance missed/wasted. Moderate impact on operational efficiency, output and quality. Minor health & safety risk, short term damage to reputation. Medium term effect which may be expensive to recover from.
<b>Significant</b>	Major impact on costs and objectives. Substantial opportunity to innovate/improve performance missed/wasted. Significant impact on output and/or quality. Significant damage to reputation and moderate health & safety consequences. Medium to long

	term effect and expensive to recover from.
<b>High</b>	Severe / Critical impact on the achievement of objectives and overall performance. Critical opportunity to innovate/improve performance missed/wasted. Huge impact on costs and/or sustained damage to reputation. Major health & safety issues. Very difficult to recover from and possibly requiring a long term recovery period.

### Likelihood

Score	Descriptors
<b>Certain</b>	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.
<b>Probable</b>	Likely, will probably occur in most circumstances. 50% - 80% chance.
<b>Possible</b>	Possible, might occur at some time. 20% - 50% chance.
<b>Unlikely</b>	Unlikely, but could occur at some time. Less than a 20% chance.

### WLBC Impact / Likelihood Matrix

		Impact			
		Low	Medium	Significant	High
Likelihood	Certain	4	8	12	16
	Probable	3	6	9	12
	Possible	2	4	6	8
	Unlikely	1	2	3	4

Level of Concern	Action Required
<b>Critical</b>	Urgent attention required at highest level to ensure risk is reduced to an acceptable level. Action planning should start without delay. Progress on actions should be reported to the Chief Operating Officer and / or the Leader.

