

DRAFT

Together we are delivering your

New Somerset Council

Risk Management Policy & Strategy

2023

Chief Executive	D Sharkey	13 December 2022
Lead Member Finance & Human Resources	Cllr L Leyshon	

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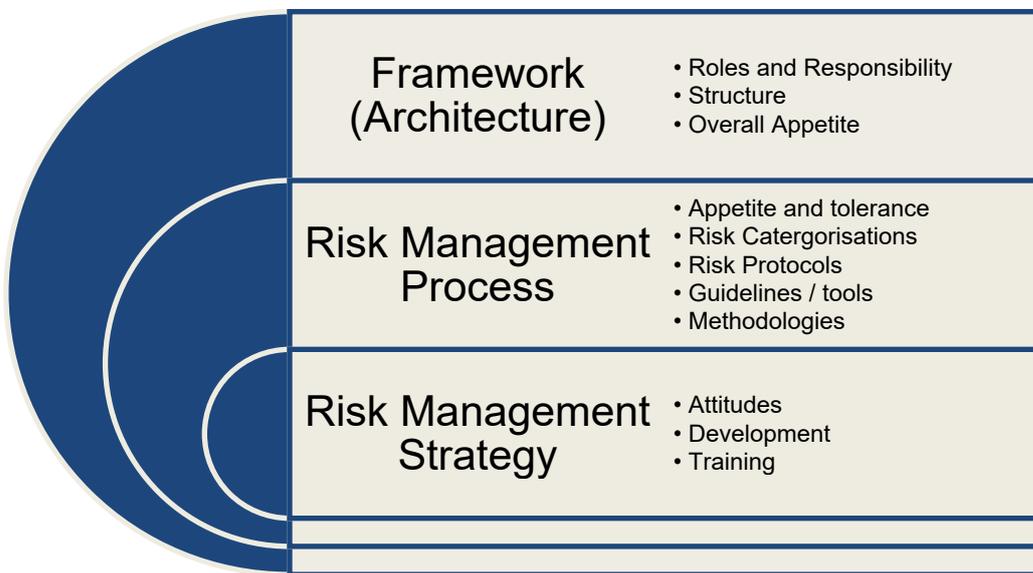
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Risk Management: The co-ordinated activities to direct and control an organisation with regard to risk

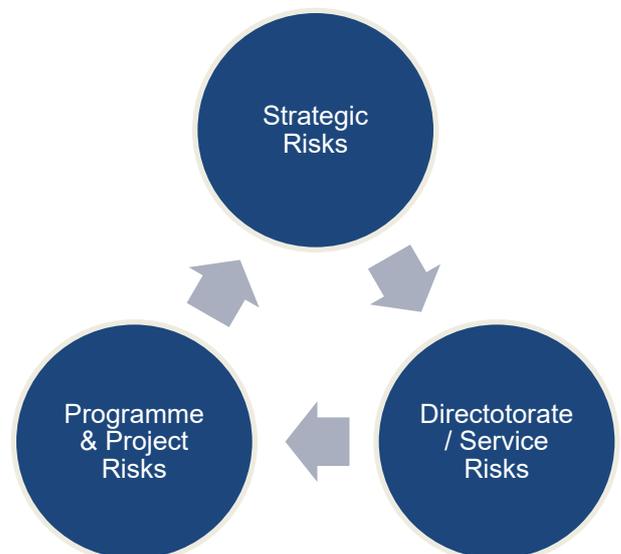
1. INTRODUCTION

This Risk Management Framework, Policy and Strategy sets out how the Council intends to move risk management forward to meet the needs of the new Somerset Council. This documentation supports the Council in the effective management of its risk. In implementing our Risk Management Framework, of which this document is a part, we seek to provide assurance to all our stakeholders that the identification and management of risk plays a key role in the delivery of our strategy and related objectives.

Risk Management Framework Diagram:



Public sector organisations cannot be risk averse and be successful. Risk is inherent in everything we do to deliver high-quality services. Effective and meaningful risk management must be an integral part of informed decision-making, from policy or project inception through implementation to the everyday delivery of public services. At its most effective, risk management is as much about evaluating the uncertainties and implications within options as it is about managing impacts once choices are made. It is about being realistic in the assessment of the risks to projects and programmes and in the consideration of the effectiveness of the actions taken to manage these risks.



This framework is developed at a point in time during a period of transition and transformation and will evolve overtime as structures and priorities become clear. It is therefore not to be intended to be prescriptive, but to offer an initial framework upon which a more detailed approach can be developed overtime. As a result, the Council will commit to reviewing the framework on an annual basis. Due to uncertainty pending decisions by the new authority amongst the current challenges are:

- Risk matrix - it has been decided to use the SCC 5x5 Matrix, review will take place in 2023
- Risk appetite of the Council – workshop to be held 2023
- The Council’s aims and objectives - assessment of risk
- Roles and responsibilities across the new organisation, including structure e.g., Risk Management Group, resources, and governance of risk
- Risk Management System choice

Risk Management Strategy

1. This Strategy provides the strategic direction for the management of risk, to secure the objectives identified in the Councils Plan which, is delivered by the Medium-Term Financial Plan (MTFP).
2. Officers and elected Members are required to consider and monitor those risks that will have a direct effect on the Council when working collaboratively. This strategy applies to:
 - All officers of the Council
 - All elected Members of the Council
 - All Committees, Boards or Groups in respect of their oversight of the council’s risk management arrangements.

Risk Management Strategy - Corporate Direction:

- The Executive Directors will set the critical objectives, opportunities, initiatives, and operations
- The Executive Directors are required to create a shared understanding of the risk appetite across the Council’s functions in delivering its priorities and outcomes.
- The Service Directors to document and prioritize an overall assessment of the range of opportunities and identify the level of risk, which is judged to be tolerable, affordable, and justifiable to the Council.
- The Senior Leadership Team to partake in annual horizon scanning and assessment to agree the broad understanding of the key challenges for the Council.
- Future work programme to include introduction of opportunity management, linked to Benefits realization, programme and project management, commissioning, and performance management.

The Council will involve, empower, and give ownership to all our staff in the identification and management of risk. Management of risk activity will be regularly supported through discussion and appropriate action.

Risk Management Strategy – Infrastructure

- This strategy is co-owned by the Chief Executive and the Lead Member for Finance and Human Resources.
- The Section 151 Officer is the Lead Senior Officer for Risk Management
- The Corporate Risk Manager is responsible for the implementation and delivery of the Risk Management Framework
- The Executive Directors will task the Corporate Risk Manager with responsibility for the delivery of regular comprehensive inhouse training and coaching.

Executive Directors, to review, on an annual basis, the significant strategic risks, those with a current score of 16 or more (very high), evaluating their mitigation strategies and establishing supporting actions to be taken to reduce them to an acceptable level. Annual Horizon scanning workshop should take place to identify emerging strategic risks.

Service Directors will be responsible for the review, at their management team meetings, those risks that effect the services they are responsible for, including any risks identified in service level projects not managed by the Project/Programme Management Office (PMO).

Risk Management Strategy - Resources:

- Executive Directors to identify a Service Director resource to chair the Strategic Risk Management Group
- Service Directors to identify Risk Champion(s) for their business area

Through this policy the management of risk will be an integral part of both strategic and operational planning.

Risk management processes shall be structured to include:

- Risk identification and assessment to determine and prioritise how the risks should be managed.
- All risks should be categorised under one of the four strategic priorities of the new Somerset Council Plan
- The selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level, as defined by the Executive Directors.
- The design and operation of integrated, insightful, and informative risk monitoring
- Timely accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.
- Risk management shall be an essential part of governance and leadership, and fundamental to how the organisation is directed, managed, and controlled at all levels.
- Risk management shall be an integral part of all organisational activities to support decision-making in achieving objective.
- Risk management shall be collaborative and informed by the best available information.
- Risk management process/guidance will be reviewed annually

2. The Purpose of the risk management policy

This policy is intended to provide a framework for the management of risk and to increase overall awareness of risk throughout the council. The policy is to empower and enable managers and those responsible for risk reporting, to better identify, assess, and control risks within their areas.

This risk management policy is a formal acknowledgement of the commitment of the Council to managing its risks. This policy statement will include:

- What is not covered by this policy
- The rationale for risk management
- Roles and Responsibilities of employees
- Arrangements for embedding risk management
- Sign off by CEO and Lead Member.

This Policy and Strategy is integral to the Councils Corporate documents, including:

- Corporate Governance Framework
- Annual Governance Statement
- Medium Term Financial Plan (MTFP)
- Value for Money Strategy
- Healthy Organisation
- Corporate Performance Management Framework
- Strategic and Service Planning
- Corporate Business Continuity Plan
- Health & Safety Policy
- Information Governance Policy

What is not covered by this policy

This policy does not cover:

- The day-to-day risks around safeguarding or care of vulnerable individual children or adults. Local arrangements and policies will be in place for these types of risks.
- Those threats that are managed by the Councils Corporate Health & Safety Policy.
- Those risks outside of the responsibility of the Council that relate to Somerset as a County.
- Issues Management
- Those risks impacting on the County of Somerset where the Council has no influence/control
- Corporate Health & Safety Risks
- Civil Emergency Planning risks

The rationale for risk management

Risk management is a vital activity that both underpins and forms part of our vision, values, and strategic objectives, including those of operating effectively and efficiently as well as providing confidence to our community. Risk is present in everything we do, and it is therefore our policy to identify, assess and manage the key areas of risk on a pro-active basis.

3. The Council's risk management aims are

1. To be proactive and ensure risks are identified early and managed effectively

2. To ensure the council is risk aware not risk averse
3. To enable the council to invest in risk prevention
4. To ensure that the council's policies, strategies, service planning, financial planning and management, and its decisions making process consider risks and the appropriate mitigations
5. To acknowledge that talking about risk does not stop innovation or the things we need to do

4. The Council's risk management objectives are:

1. Establishing clear roles, responsibilities, and reporting lines for risk management across the Council
2. Developing, documenting, and implementing an approach to risk management that is consistent with current best practice and embraces all forms of service delivery, including collaborative arrangements
3. Raising and maintaining awareness of risk management with elected members, all staff, partners, providers, and contractors to develop a mutual understanding of the Council's expectations about managing risks
4. Integrating risk management with corporate, service and business financial planning processes
5. Providing a robust and systematic framework for identifying, managing, responding to, and monitoring, reporting of risk as identified in the Risk Management Process Framework document
6. Managing risk to an acceptable level through appropriate mitigations and prioritising the use of its available resources
7. Providing assurance, through risk reporting, of a robust management system for evidencing appropriate risk management
8. Using risk management key performance indicators (KPI) and Key Risk Indicators (KRI) to measure the effectiveness of risk management activities and the implementation of this policy

By having in place an effective process for managing risks and a clear escalation process that ensures problems will be identified at an early stage. The Council also recognises, however, that risk management is about exploiting opportunities as it is about managing threats, whilst recognising that risks are inherent in all that we do. A full risk assessment should be conducted to assess the level of risk versus the opportunity to be gained. Risks need to be managed rather than avoided, and consideration of risk should not stifle innovation. In some cases, the Council may wish to accept a relatively high level of risk because the benefits of the action outweigh the risk or disadvantages on the basis that the risk will be well managed.

5. Risk Assessment Matrix

The risk assessment matrix is a 5 x 5 grid that guides users through the priority scoring of individual risks by considering Likelihood x Impact, the combined score will give an indication of

the perceived severity of the risk and the management level required. Appendix 'A' is the Risk Assessment Matrix and guidance.

Risk Assessment Matrix

		Out of Tolerance				
Likelihood	5 V. Likely >90%	Minimal risk Tolerate	Low risk Tolerate	15 High monthly	20 V. High Review Monthly	25 V. High Review Monthly
	4. Likely 50 – 90%	Minimal risk Tolerate	Low risk Tolerate	12 Medium Quarterly	16 V. High Review Monthly	20 V. High Review Monthly
	3. Possible 25 – 49%	Minimal risk Tolerate	Low risk Tolerate	9 Medium Quarterly	12 Medium Quarterly	15 High Monthly
	2. Slight 10 – 24%	Minimal risk Tolerate	Minimal risk Tolerate	Low risk Manage within service	Low risk Review annually	Low risk Review annually
	1. V. Unlikely <10%	No risk exposure	Minimal risk Tolerate	Low risk Manage within Service	Low risk Review annually	Low risk Review annually
	1 Insignificant	2. Minor	3. Significant	4. Major	5. Critical	
		Impact				

6. Risk Response

Risks that are important and assessed to warrant investigation in action must be responded to in the optimal way. Risk response planning enables a range of response options to be considered. The four 'T's are listed below

- **Terminate:** avoiding the risk, if feasible, by deciding not to start or continue with the activity that gives rise to the risk
 - **Tolerate:** retaining the risk by informed decision of management
 - **Treat:** put in place control/actions that will change the likelihood, impact, or both which, may include planning contingency activities
 - **Transfer:** sharing the risk via commercial contracts, partnership working or Insurance.
- ** It must be noted that transferring a risk does not absolve the Council from its responsibility to manage the risk

The Risk Management Process Framework will explain these in more detail.

Summary of the recording & reporting

	Combined score (LxI)	Action
Green	1 - 10	Tolerate Minimal/low risk, Record in RM system
Yellow	9 & 12	Treat, Transfer Medium risk

		Record in RM system Review quarterly
Orange	15	Treat, Transfer, High risk Record in RM system Review Quarterly
Red	16 - 25	Treat, Transfer, Terminate risk activity Very High Risk Unacceptable - Out of Tolerance Record in RM system Review Monthly Requires immediate Service Director Action May require escalation to Executive Directors

Strategic	BAU inc. programme & projects, decision risks	
<ul style="list-style-type: none"> Identified from the Councils strategic plan Long term effect on objectives 	<ul style="list-style-type: none"> Identified by annual service planning Project plans Business Continuity plans Key & non-key decisions Short term effect on service objectives (life of the plan) 	<ul style="list-style-type: none"> Commissioning plans Partnership working Contracts

8. *It is a requirement that all risks are to be recorded within the corporate risk management system. At the time of writing this is JCAD Core. The group have considered the current systems in place, having reviewed both SharePoint, as used by Dorset Council and JCAD Core. In view of the likely increasing utilisation of MS365, business intelligence, link with performance reporting and SharePoint platforms across the new council and the opportunity this creates to integrate and optimise organisational data, the group have agreed that a MS App be developed and following testing and evaluation, the best system will be chosen.

***JCAD Core®™**

JCAD Core* is the Councils risk management system for recording, monitoring, and reviewing those risks that require a management response. The Risk Assessment Matrix (Appendix A) sets out the Councils appetite for the recording of risks in JCAD. Managers note: any risk reports generated in paper form has a retention period of six years from the date printed on the report. Risk assessments are necessary for the following:

Service Area	Recording mechanism	Responsibility lies with ...
BAU: <ul style="list-style-type: none"> Service Planning risks Service lead 	Risk system – subject to approval	Individual Strategic & Service Managers: <ul style="list-style-type: none"> Identify risks, identify appropriate owners, identify current and new

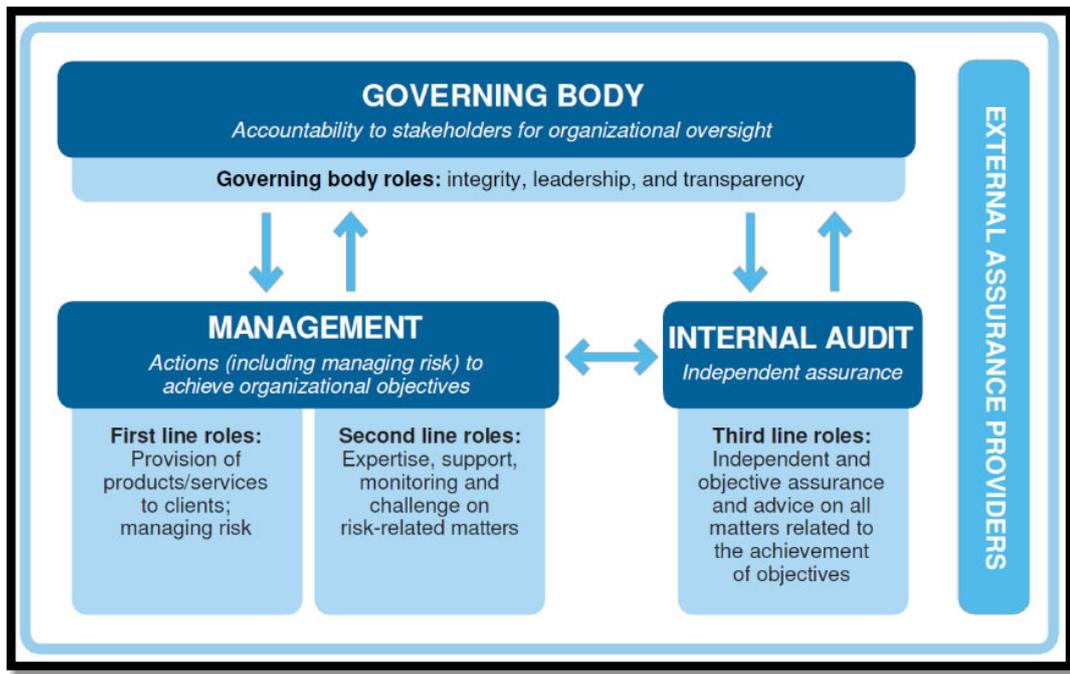
project risks • Commissioning & Procurement risks • Risks from Key decisions		controls. • Review regularly and update when prompted. Senior Risk Owner: • Assure themselves that controls/actions are being monitored regularly and managed to have a positive effect on the risk. • Are responsible for the update of the "Current Score" at each risk review.
Strategic Risks Those risks that have a negative effect on the Council as a whole, not an individual Directorate/Service area	JCAD Core – subject to retention of system	All Executive & Service Directors with assistance of the Risk Manager. • Owners of Strategic risks • Assure themselves that controls/actions are monitored regularly and managed to have a positive effect on the risk. • Identify existing and new controls with appropriate owners.
Corporate Programme & projects (PMO) inc. Innovation projects	Risk App – subject to approval	Programme & Project officers/managers to identify risks, appropriate owners, current and new controls.

Controls: You are required to identify the existing control measures for each risk, if this does not provide adequate assurance then new controls will need to be added. All need to be recorded, newly identified controls do need an individual owner who is responsible for the regular monitoring and review of the control, a maximum of a quarterly review period to coincide with the date of the review by the Senior Risk Owner (SRO).

Senior Risk Owner: Each risk must have an individual Senior Risk Owner; this must be a person not a job role. For Strategic Risks this will be a Executive or Service Director, for BAU risks and programme / project risks this will be a Service Manager or above. The SRO is responsible for ensuring that all controls are appropriate and will have a positive effect on the risk, and on review, the SRO is responsible for the review of the "Current Score".

9. Three Lines Model, IIA

All members of staff within the Council have some responsibility for risk management. A concept for helping to identify and understand the different contributions various sources of assurance can provide is the Three Lines model.



Source: The Institute of Internal Auditors 2020

10. Roles and Responsibilities

It is the responsibility of the Executive Directors and Service Directors to ensure that the Risk Management Framework is implemented consistently across the Council.

All members of staff have a responsibility to support and embed this policy, to identify and escalate risks and to demonstrate consideration of risks in support of proposals and/or decisions.

Chief Executive Officer

Responsible for establishing the overall risk management framework

- Role is sometimes delegated to the Section 151 Officer
- Make decisions with proper consideration to risks
- Approves the strategy, business plans and budgets based on the risk management information
- Allocate responsibility for effective risk management to risk owners
- Assign responsibility for designing and implementing the risk management pathway to the Strategic Risk Manager
- Allocate resources necessary to perform business activities with risks in mind

Executive Directors

- Are responsible for the setting of the Councils risk appetite and tolerance levels
- Drive the strategic agenda by discussing those areas that are most at risk
- Provide oversight of the overall risk management effectiveness, including standards and values
- Make Board level decisions with proper consideration to risks and guidance
- Review and establish risk appetites/limits for certain business activities, types of risks (usually required by law) or decisions
- Set risk-adjusted performance targets and KPIs for CEO and the management

- Responsibility for risk management lies with Service Directors and management teams, and failure to keep risks updated will be an indicator of performance issues

Individual Service Directors

- Are responsible, with their individual management teams, to identify the risks for their Service areas
- To ensure those risks are recorded and that regular monitoring and review takes place.
- Responsibility for risk management lies with service directors and management teams, and failure to keep risks updated will be an indicator of performance issues

Corporate Risk Manager

- Councils risk professional advisor on all aspects of risk management
- Author of the Councils Risk Management Policy & Strategy and process documents
- Advise Senior Officers on the implementation of risk management
- Coordinate risk management activities and provide methodological support for the risk-based decision making
- Preparation of strategic risks management reports
- Coordinate the work of the Strategic Risk Management Group
- Provide risk management training
- Author eLearning materials
- Implement activities designed to integrate risk management into the overall culture of the organisation

Strategic Risk Management Group

- Quality Assurance of the Risk Management Framework Documents
- Monitor existing and suggest, emerging strategic risks to senior leadership team
- Directorate Risk Champions

Strategic and Service Managers* (title current as of November 2022)

- Identify, assess, and treat risks associated with business activities or decision-making within their area of responsibility
- Includes a responsibility for service management teams to include risk management as a regular agenda item for their management meetings.
- Allocate resources necessary to manage risks within their area of responsibility
- Optimise business processes or decision making based on the information about risks.
- Are responsible for the monitoring of partial audit recommendations resulting from Internal Audit reports
- Ensure that all service level and project risks are recorded, and that regular monitoring and review takes place.
- Discuss the risks for their service area at management meetings to gain assurance that the risks are being managed down to an acceptable level.
- Ensure risk is part of finance and performance reporting

11. Risk Management Procedure - Risk Escalation

All officers are responsible for the identification and management of risks. Where a risk moves beyond the control of an individual service or is above your target level of risk, the risk should be escalated by the senior manager to the Service Director who has the authority and the accountability to authorise additional resources to control the risk. Escalation enables the transferring of ownership and accountability, up through the escalation route outlined below. Escalation does not necessarily mean that the risk will be adopted at a higher level e.g. Directorate or strategic, it does enable approval for additional mitigation at a higher level.

Escalation of a risk (*job roles current as of November 2022)						
	*Service Manager	*Strategic Manager	Service Director	Executive Director	Audit Committee	Executive
Service Level (BAU)	√	√	√			
Directorate Level			√	√	√	√
Strategic Level			√	√	√	√
Programme & Project Risks (PMO)						
	Project Officers	Project Managers	Programme Manager	Project Board		
	√	√	√	√		

12. Risk financing

There are several options for financing the management and materialisation of risks to the Council and its services. The most obvious of these is through conventional insurance, which serves to reduce the financial effect of low likelihood plus high impact events, although this will apply to only around 20 percent of risks identified. Other options include spending on actions to lower the level of risk. This is more likely to occur in respect of operational risk, where controls can more readily be implemented. For example, spending on security to reduce the incidence of theft.

As part of the annual budget setting process, the Council also sets its contingency budget. This specific annual revenue budget allocation is also a means of potentially funding risks that are unable to be controlled by mitigations and or exceed tolerance e.g., the consequences of an extreme weather event or legal actions against the council.

13. RISK REPORTING

When risk reporting, you maintain the ownership and the accountability for that risk, and informing senior leadership of the current situation, so they can make risk informed decisions. We report risks from the following.

- Service level risks (BAU) – to service management team meetings
- Directorate level risks – where identified, to directorate management team meetings
- Strategic risks – to Executive Directors

- Programme & project risks which are the responsibility of the Programme Office – to programme/project boards.
- Risk should also appear on individual services / Directorate performance score cards
- The Corporate Risk Manager will supply directorate risk reports to each Service Director at the beginning of each month

Risk Reporting (*job roles current as of November 2022)						
	*Service Team Meetings	*Strategic Manager Team meetings	*Directorate Management meetings	Executive Directors	Audit Committee	Executive
Service Level (BAU)	√	√	√			
Directorate Level		√	√	√		
Strategic Level				√	√	√
Programme & Project Risks (PMO)						
	Project Officers	Project Managers	Programme Manager	Project Board		
	√	√	√	√		

Risk Reporting Frequency

Recipient	Frequency	Format
Executive	Annual	Report on Risk Management Policy and Strategy, together with Council Risk Report
Audit Committee	Bi-monthly	Report on Strategic risks with a focus on the controls. Report on BAU risks by Council Plan objectives
Executive Directors (SLT) (before Audit Committee)	Bi-monthly	Report on Strategic risks & escalation of out of tolerance commissioning / business risks and emerging risks
Governance Board (before SLT)	TBA	Review Risk Management compliance as part of SCCs Assurance Framework
Strategic Risk Management Group	TBA	Strategic Risk Report Escalation reporting to SLT Identification of emerging risks Quality Assurance of the Risk

14. Committee and Decision Reports

Report templates contain a section on 'Financial/Risk Implications' which officers are required to consider and complete when writing.

Significant risks identified by risk assessment should be noted here (i.e., those assessed as being 'high' when applying the Council's risk assessment criteria). High risks should also be referred to in the main body of the report, together with any further measures proposed to control the risk.

- When/if the decision is approved a formal risk assessment should be carried out and the results recorded for monitoring and review.

15. Training and awareness

- Training for Members is part of the Member Development Programme.
- Annual training for Audit Committee Members
- Training for Strategic Managers and Service Managers is provided to prepare them for risk assessment of their services and raise awareness of what is required of them in relation to risk management.
- Individual or group training is given upon request
- eLearning will be developed
- Risk Management in Induction training

16. Embedding risk management into organisational culture and business processes

Staff involvement

For the risk management process to become fully embedded, it is important that all staff across the organisation are engaged within it:

- Including risk management discussions during staff appraisals and supervision
- Involving staff in the process of identifying the risks from within their area of work / service.
- Targeted training and support opportunities for all staff
- Risk Management training as part of Corporate Induction

Directors, Strategic and Service managers should.

- Play an integral part in the identification, assessment, and management of the range of risks their service is exposed to which may threaten the successful delivery against identified objectives.
- Set feasible and affordable strategies and plans
- Evaluate and develop realistic programmes, projects, and policy initiatives
- Prioritise and direct resources and the development of capabilities
- Identify and assess risks that can arise and impact the successful achievement of objectives
- Determine the nature and extent of the risks that the organisation is willing to take to achieve its objectives
- Design and operate internal controls in line with good practice

- Deliver innovation and incremental improvements.