

CAERPHILLY COUNTY BOROUGH COUNCIL

RISK MANAGEMENT STRATEGY

Reviewed and Updated 2017



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A greener place
Man gwyrdach



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Risk Management Strategy 2017

1.0 Introduction

During the three years since the strategy was approved there have been a number of changes to the risk management process, including the introduction of several pieces of legislation. In particular one of the key changes is the Well-being of Future Generations (Wales) Act 2015 which gives a statutory duty for a public body to use the sustainable development principle (defined by 5 ways of working) in our decision making and wider work. These principles encourage us to change the way we view risk as they focus more on long term risks for the citizen with a focus on prevention by identification of root causes.

This strategy has been updated to be more in keeping with the Well-being of Future Generations (Wales) Act 2015 and other organisational changes such as the introduction of the Corporate Governance Assurance Framework.

1.1 Purpose of the Strategy

The purpose of this Risk Management Strategy is to establish a framework for the effective and systematic management of risk, which will ensure that risk management is embedded throughout the Council and makes a real contribution to the achievement of the Council's vision and objectives.

The objectives of this strategy are:

- Define what risk management is about and what drives risk management in the Council.
- Set out the benefits of risk management and the strategic approach to risk management.
- Outline how the strategy will be implemented.
- Identify the relevant roles and responsibilities for risk management within the Council.

Risk management is not a new responsibility, but simply the formalisation of what is already part of normal good working practices. It is important to emphasise, that Risk Management should not be an 'add on'. It is not a separate activity that happens once a year along-side other management activities. Rather, it should form an integral part of the performance management approach of the Council.

There is a detailed Risk Management Guidance document that accompanies this Strategy and gives further detail on how the risk management process should be carried out.

1.2 Approval, Communication and Review of the Risk Management Strategy

This Risk Management Strategy will be endorsed by the Executive and reviewed by the Audit Committee and, following approval, issued to:

- All Members of the Council.
- Corporate Management Team.

- Managers and all staff.
- Key Stakeholders such as local strategic partners.
- Other interested parties such as the Wales Audit Office.

It will be placed on the Council’s intranet and internet site so that all members of staff and the public can have access and easily refer to it.

The strategy will be reviewed internally periodically and following any key changes in Welsh Government policy or inspection regimes, and after any internal reorganisation or changes in policy.

1.3 What Is Risk Management?

Risk can be defined as;

The uncertainty of outcome, whether a positive opportunity or a negative threat, of actions or events.

Risk **Management** can be defined as;

“The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks”

ZMMS/SOLACE. Chance or choice? Julv 2000

Risk Management is about identifying and managing those obstacles and weaknesses that could have a negative impact on service delivery and corporate objectives. The holistic approach is vital to ensuring that all elements of the organisation are challenged, including decision making processes, working with partners, consultation processes, existing policies and procedures and, also, the effective use of assets – both staff and physical assets.

Once the obstacles have been identified, the next stage is to prioritise them to identify the key obstacles to the organisation moving forward. Once prioritised, it is essential that steps are taken to then effectively manage those key obstacles/risks. The result is that major obstacles or blockages that exist within the organisation can be mitigated to provide the Council with a greater chance of being able to achieve its objectives.

The risks facing the Council will change over time, some changing continually, so this is not a one-off process. Instead, the approach to risk management should be continual and the risks and the approach to managing them should be reviewed regularly.

It is important to note that risks can also have an upside; their impact can in some cases be positive as well as negative. Risk is also often said to be the flipside of opportunity, so the whole risk management process can also help the Council identify positive opportunities that will take it forward. Risk management needs to be seen as a strategic tool and will become an essential part of effective and efficient management and planning.

1.4 Why Do We Want (and Need) Risk Management?

The purpose of risk management is to identify problems before they occur so that they can be prevented or the opportunities capitalised on. In this regard risk management is part of normal day to day business planning practice and performance management processes and will strengthen the ability of the Council to achieve its objectives by identifying the barriers to achieving those objectives.

Additionally risk management is something that the Council is required to do as noted below:

- CIPFA's 'Delivering Good Governance in Local Government: Framework' is considered by Welsh Government to best represent proper practices in relation to the statement of internal controls which requires an annual governance statement to be produced. The 2016 Guidance for Welsh Authorities 4.3 (1.4) states '*The Welsh Government accepts that relevant bodies will prepare an annual governance statement on internal controls*' and this includes mechanisms to identify high level authority risks
- The Accounts and Audit (Wales) 2014 Regulations Part 3 which look at the responsibility for internal control and financial management state that a sound system of internal control should include (a) *arrangements for the management of risk*

Whilst the above regulations are in relation to financial risk the Annual Governance Statement will often identify other types of risk, whether environmental, demographic, political or operational and this completes our whole risk management structure and process across the Council.

1.4.1 Benefits of Managing Risk

Successful implementation of risk management produces benefits for the Council if it becomes a living tool. These include:

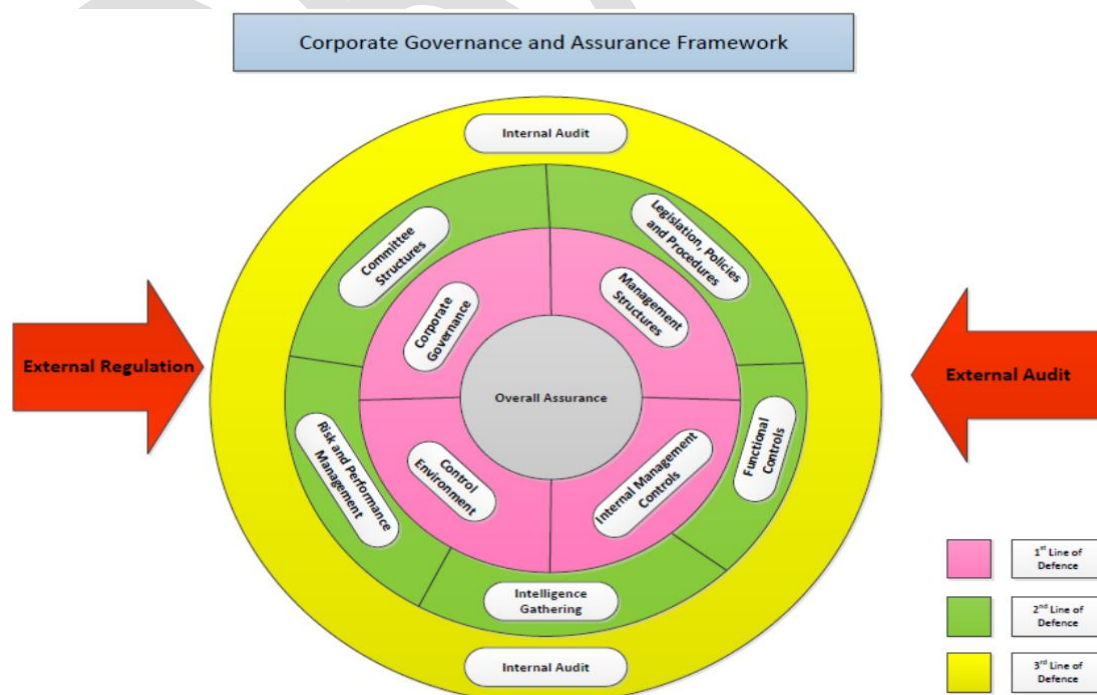
- A consistent approach to the way risks are managed throughout the Council.
- Improved informed decision making – risks reported and considered within Council decision making.
- Becoming less risk averse in innovation (because you understand) and, hence, are more innovative.
- Improved business planning through a risk based decision making process.
- A focus on outcomes not processes.
- Improved performance (accountability and prioritisation) - feeds into performance management framework.
- Better governance - and demonstration of it to stakeholders.
- Helping to protect the organisation.

The main benefit though is that the Council will be more likely to achieve its vision and the key objectives underpinning this, because the barriers are being actively identified and managed.

1.5 Where Does Risk Management Fit?

In short, the answer is “everywhere”. Effective risk management should be applied within all decision making processes at an *appropriate scale*. So, the risk management approach should encompass the Council’s:

- Strategic and Corporate risks, which includes risks that would impact on the lives of citizens and their communities.
- Risks that need to be taken into account in judgment about the medium to long term goals and objectives of the Council.
- Risks that affect the successful delivery of corporate objectives and impact across the Council as a whole.
- Service risks that affect the successful delivery of individual service objectives. They are often built into the service planning process.
- Operational risks that managers and staff will encounter in the daily course of their work.
- Project risks - effective management of risk within projects is key to their eventual success and major projects should have a robust risk management approach.
- Partnership risks - The increasing number and scale of partnership working with public, private and voluntary sector partners exposes us to risk, so significant partnerships should have a robust risk management approach.
- The diagram below shows where risk fits in within the Corporate Governance and Assurance Framework within the 2nd line of defence and shows the connectivity of risk within the wider assurance framework.



This means that a consistent approach from the top to the bottom of the Council is required with a mechanism for risks to be escalated up (bottom up) within the Council whilst the top risks are also explicitly identified and managed (top down).

In practice this means that the Council will carry out risk assessments and develop the following risk registers:

- Corporate Risk Register (CRR) – Whole Authority - the strategic and corporate risks, related specifically to the Corporate Plan and the Well-being Objectives and where appropriate, the Councils contribution to the PSB Well-being Plan.
- Directorate Risk Register (DRR) – high levels risks identified in Service Risk Registers, which require close monitoring or intervention, and/or are common to several services within the directorate (collective control).
- Service Risk Register (SRR) – the risks facing the service and the achievement of its service objectives, as outlined in the Service Business Plan.
- Business Unit Risk Register (BURR) - Depending on the structure and complexity of the service, there may also be a need to have, Business Unit Risk Registers, which feeds into the Service Risk Register.
- Specific Project Risk Registers (SPRR) – These may be required for specific high level projects, particularly those with external partners as identified in section 1.5.2

1.5.1 Risk Management of Projects

A project can be defined as:

“A temporary organisation that is needed to produce a unique and predefined outcome or result at a pre-specified time using predetermined resources” PRINCE2

And, to be effective, managers need to be able to manage three aspects of the project:

- That the project delivers on time.
- That the project delivers to the quality.
- That the project delivers to budget.

It is quite obvious that effective risk management will help this process, and is a requirement of all effective project management approaches. Risks should be identified and managed from the very outset and throughout the life of the project. It is essential that risks are effectively communicated and escalated within the project structure.

All major projects will have their own risk registers relevant to the project objectives and plan. Any significant risks identified should be reported to the relevant officers, group, or committee and included in the relevant service and / or corporate risk register.

1.5.2 Partnership Risk Management

*“A third of those working in partnerships, experience problems, according to auditors. These problems arise when governance and accountability are weak: leadership, decision-making, scrutiny and systems and processes such as **risk management** are all under-developed in partnerships.”* Governing Partnerships, Audit Commission, 2005

Effective risk management of the Council’s significant partnerships is, therefore, essential. This will require clarity of what partnerships are and, in particular, which are significant. Those then require a twin track approach to risk management:

- Outside looking in – the risks to the Council in getting involved in the partnership.
- Inside out – the risks to the partnership achieving its objectives.

The outside looking in risk should be included in the relevant service and / or corporate risk register. Each significant partnership should develop their own risk register relevant to the partnership’s objectives and plan. This should be developed in conjunction with all of the partners. Risk management should be integrated within the governance processes of the partnership.

This will take on greater significance as the Government White Paper ‘Reforming Local Government: Resilient and Renewed (2017) places a much greater emphasis on regional working.

RISK MANAGEMENT STRUCTURE

2.1 Reporting Structure

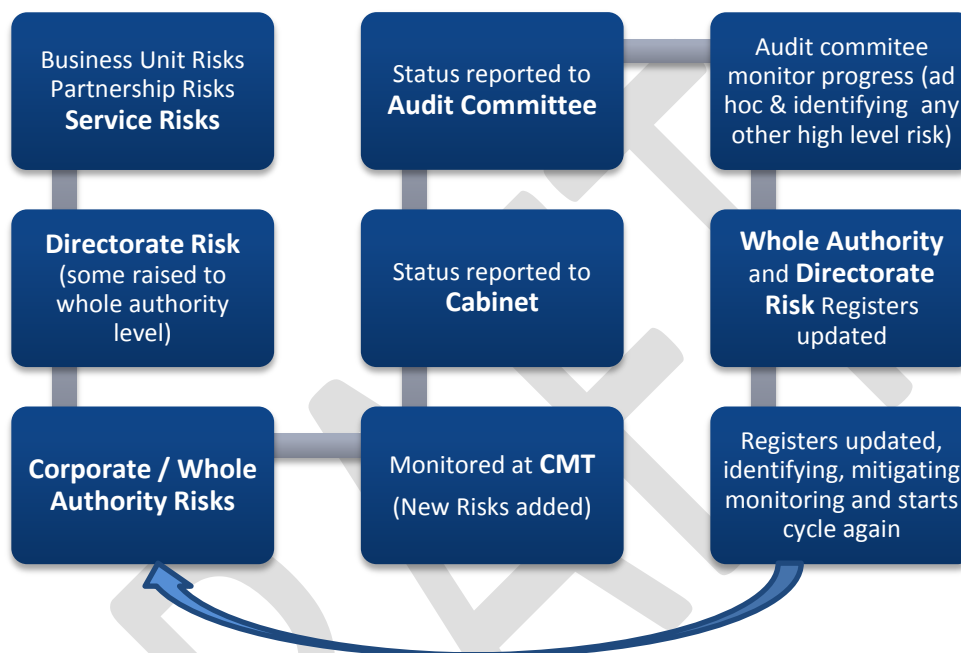
The risk management process is a continuous one and risks can therefore, be reported at any time. However, risks will be formally reported in accordance with the existing business planning process and at least quarterly within the performance management part of senior management team agendas.

Services will therefore, be required to revisit their risks in the light of any change and at least on a quarterly basis. They will report any new risks, identified progress on actions to mitigate existing risks and any changes to the perceived level of risk, as part of quarterly performance management meetings or on an exceptions basis if any significant activity occurs between the quarterly meetings.

Corporate Management Team will consider new corporate risks, changes to existing risks and escalated risks on at least a quarterly basis. They will report on the top corporate risks, the progress on actions to mitigate those existing risks, and any significant changes to the perceived level of those risks formally to Cabinet and Audit Committee on a six-monthly basis (twice a year). Risk reporting is part of service performance scrutiny reporting. Any significant activity occurring between the formal reporting will be considered and reported on an exceptions basis.

Each senior management team from the directorate will act as a filter to assess service risks which need to be escalated for consideration by the Corporate Management Team and also the corporate risks which need consideration at a Service level. This will ensure a consistent top down and bottom up approach and that there is always an up to date view of the key risks facing the Council and how they are being managed.

This Risk Management Strategy should also be periodically reviewed and updated if considered necessary. The reporting structure is represented below:



2.2 Roles and Responsibilities

The following describes the roles and responsibilities that Members and officers will play in introducing, embedding and owning the risk management process:

2.2.1 Cabinet

- Approve the Risk Management Strategy.
- Approve the “risk appetite” of the Council i.e. the definition of high (red) risk, medium (amber) risk and low (green) risk as recommended by the Corporate Management Team.
- Approve the risk “appetite” in light of the new way to view risk through the lens of the sustainable development principles, the short/medium/long term, and the 7 Well-being Goals (Well-being of Future Generations (Wales) Act 2015).
- Hold the Corporate Management Team accountable for the effective management of risk.
- Monitor the arrangements for managing the Council’s Corporate/Whole Authority Risks, through six-monthly progress reports.

- Consider the risks involved when making any decisions; considering the sustainable development principle (5 ways of working).
- Receive and review the risk register and resultant action plans for the top corporate risks.
- Make an appropriate allocation of resources to address identified risks and risk management framework.
- Ensure that appropriate and effective communication reporting lines are in place in the context of risk management.
- The Leader approves the Annual Governance Statement, and publishes it in the Annual Statement of Accounts.

2.2.2 Audit Committee

- Review the effectiveness of the risk management and internal control framework.
- Review the Council's Risk Management Strategy and how it is being implemented.
- Review and challenge the risk register and resultant action plans for the top corporate risks.
- Receive, review and challenge progress in implementing action plans for the Council's key strategic and corporate risks.
- Satisfy themselves' that robust processes and procedures exist and are applied for the management of operational risks, including health & safety risks.
- Participate in mandatory or updated training in the area of risk management.

2.2.3 Scrutiny Committee

- Identify significant risks to be scrutinised in more detail as part of their annual work programme, as appropriate.
- Satisfies itself, that robust processes and procedures exist and are applied for the management of risks within the organisation, including health & safety risks.

2.2.4 Lead Member – Risk Management

The Lead Member for risk management is the Cabinet member with responsibility for performance. Responsibilities include:

- Champions and encourages the use of effective risk management within the Council – to both members and officers.
- Raise awareness of risk management within the Council and to ensure that training and education needs in respect of risk management are identified and addressed.
- Attends the Audit Committee and Scrutiny Committees to report progress on risk management, with appropriate officers.

- Attempts to resolve issues/barriers facing the embedding of effective risk management.

2.2.5 All Members

Members are responsible for governing the delivery of services to the local community and have a responsibility to understand the risks that their Council faces and be aware of how these risks are being managed. One way of gaining assurance that identified risks are being effectively managed is by robust, constructive challenge and scrutiny. Members can also raise 'strategic risks' either through their committee, or by contacting the relevant Director or the Performance Management Unit if they are unsure of where to raise the emergent risk.

2.2.6 Chief Executive and Corporate Management Team

The Chief Executive and Corporate Management Team are pivotal in the promotion and embedding of risk management by managing a culture change within the Council. They are responsible for managing strategic and corporate risks, as well as the service risks in their individual areas of responsibility.

Their key tasks are to:

- Review the Council's approach to risk management and supporting processes and recommend for approval any subsequent changes.
- Recommend the Risk Management Strategy to members.
- Propose the "risk appetite" of the Council i.e. the definition of high (red) risk, medium (amber) risk and low (green) risk.
- Support and promote risk management throughout the Council – with each member ensuring that it works effectively in their own areas of responsibility.
- Actively identify, analyse and profile strategic and corporate risks at least quarterly.
- Determine and prioritise action on strategic and corporate risks, allocating individual ownership of the key risks to appropriate members of Corporate Management Team.
- Each Director will act as lead officer for the risks allocated to them and be held accountable for ensuring that risk improvements are delivered.
- Receive escalated service risks and consider their inclusion onto the corporate risk register.
- Monitor progress of risk arrangements as part of existing performance management arrangements.
- Report quarterly to the Executive on the key risks and their management.
- Ensure that (where appropriate) "key decision" reports include a section to demonstrate that arrangements are in place to manage any risks.
- Ensure that the Council has robust processes and procedures in place that are consistently applied, for the management of operational risks, including health & safety risks.
- The Chief Executive is required to agree and sign the Annual Governance Statement, ensure publication of it in the annual Statement of Accounts.

2.2.7 Officer Risk Champion

The Acting Director of Corporate Services is the Officer Risk Champion and leads on all risk management issues. Responsibilities include:

- Ensuring that a Risk Management Strategy is developed to reflect the changing nature of the Council.
- Ensure that a robust framework is developed to deliver and implement the strategy.
- Inform on a regular basis of developments in the risk management processes and outcomes.
- Champion the process of risk management as good management practice and a valuable management tool.

2.2.8 Heads of Service

Their primary role is to manage service risks by:

- Promoting risk awareness within their service.
- Facilitate risk assessments within their service area to develop a Service Risk Register – linked to the Self-Evaluation and Service Performance Plan.
- Receive escalated Business Unit risks and consider their inclusion onto the Service Risk Register.
- Actively identify, analyse and profile service risks on a quarterly basis - linked to the Service Performance Plan.
- Determining and prioritising action on service risks, allocating individual ownership of the key risks to appropriate managers within their service.
- Escalate the top risks, those above the acceptable tolerance line.
- Incorporating the risk management process into service planning processes ensuring that these are fed into the business plan.
- Promoting and encouraging staff to be open and honest in identifying risks or missed opportunities.
- Ensuring that the risk management process is an explicit part of all major projects and change management initiatives.
- Monitor and report progress of risk management activities as part of existing performance management arrangements.
- Ensure that processes and procedures for the management of operational and Health & Safety risks are consistently and robustly applied within the Service.

2.2.9 Internal Audit

To maintain independence and objectivity, Internal Audit is not responsible or accountable for risk management or for managing risks on management's behalf. Internal Audit will:

- Audit the risk management process.
- Support risk identification and assessment workshops, as appropriate.
- Assess the adequacy of the mechanisms for identifying, analysing and mitigating key risks.

- Provide assurance to officers and Members on the effectiveness of controls.
- The Risk Register will in part drive the Internal Audit Strategic Plan to ensure resources are used on the areas of highest risk and where the need for assurance is greatest. Page 7 of the accompanying 'Risk Guidance' shows the diagrammatical representation of the Councils Assurance Framework'

2.2.10 Project and Partnership Leaders

Project and partnership leaders have a responsibility to ensure that the risks associated with their activity are identified, recorded and regularly reviewed as part of the project management process. Significant risks must be reported and included in the relevant Service Risk Register or the Corporate Risk Register.

2.2.11 All Staff

All staff have a responsibility to:

- Manage risk effectively in their job and report opportunities and risks to their service managers.
- Identify and escalate risks when they arise for example as part of the **corporate safeguarding policy** (information on the intranet).
- Participate in risk assessment and action planning where appropriate.
- Adhere to Council policies and procedures.
- Attend training and development sessions as appropriate.

2.3 Links to Other Business Processes

There is a link between risk management, self-evaluation and service planning, emergency planning and business continuity. However, it is important for the success of risk management that the roles of each, and the linkages, are clearly understood.

Self-Evaluation and Service Plans: The process of Self-Evaluation (SE) is about gaining organisational intelligence as to what is working, what is not and what the risks are. The SE gives a structure of which to test thinking around service judgements and its risks. The management of the risks are then transferred into the Service Plan (SP) to identify mitigating actions and monitor the effectiveness of those actions (although not all risks can have mitigating actions) and this links the SE and the SP to the risk management process. This process should be inclusive of the staff who are often the best placed to action plan for improvement.

Risk Management; is about trying to identify and manage those risks which are more than likely to occur and where the impact on our objectives can be critical or even catastrophic.

Business Continuity Management; is about trying to identify and put in place measures to protect your priority functions against catastrophic risks that can stop your organisation in its tracks. There are some areas of overlap e.g. where the I.T

infrastructure is not robust then this will feature as part of the organisation risk assessment and also be factored into the business continuity plans.

Emergency Planning; is about managing those incidents that can impact on the community (in some cases they could also be a business continuity issue) e.g. a plane crash is an emergency, but may impact on service delivery also.

3.0 CONCLUSION

This strategy sets the foundation for continued integration of risk management into the Council culture. It shows the process being applied across the Council to ensure consistency and clarity in understanding the role and benefits of strategic risk management.

The quarterly reporting and escalation of risks should interlock with the existing quarterly arrangements for performance reporting. The intention being that the management of risks is incorporated into business plans so that reporting on performance naturally reports progress on the mitigation of risks.

The strategy now reflects the longer term view of risk as required by the Well-being of Future Generations (Wales) Act 2015 and to view risk within the sustainable development principles as to how our potential decisions can affect the well-being of the communities we serve.

3.1 Contact details for support or help

For further details on this strategy or how to apply it, please contact Performance Management on 01443 864238 or email www.PMU@caerphilly.co.uk

The Strategy can be read in conjunction with the Risk Guidance. The guidance provides the details in how to apply the strategy at an operational level.

Goal	Description of the Goal
A prosperous Wales	An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change), and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.
A resilient Wales	A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example climate change).
A healthier Wales	A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.
A more equal Wales	A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio economic background and circumstances).
A Wales of cohesive communities	Attractive, viable, safe and well-connected communities.
A Wales of vibrant culture and thriving Welsh language	A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation
A globally responsible Wales	A nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing make a positive contribution to global well-being.