



**Audit Committee – 22<sup>nd</sup> April 2015**

**RISK MANAGEMENT FRAMEWORK REVIEW**

**1. Purpose of Report**

1.1 The purpose of this report is to submit the draft revised Risk Management Framework for consideration and comment, before consideration and approval by Cabinet.

1.2 It is important that the Risk Management Framework remains up to date in order to accurately reflect the effective and efficient management of risks to the achievement of objectives. This is of particular relevance given the Future Council programme.

**2. Recommendations**

**2.1 It is recommended that the Audit Committee:-**

**(i) Considers the draft Risk Management Framework; and,**

**(ii) Subject to changes emanating from the comments of the Committee, that the full draft revised Risk Management Framework is referred to Cabinet for further consideration and approval.**

**3. Introduction**

3.1 Risk Management is not about eliminating risk or being risk averse, it is about being aware of and managing acceptable risk in the pursuit of agreed objectives. The Risk Management Framework includes the Risk Management Policy Objective Statement and Risk Management Strategy, which sets out how the Authority will seek to embed this approach to risk into its normal activities through the ongoing development of a risk management culture.

3.2 The Risk Management Framework, including the Risk Management Policy Objective Statement and Risk Management Strategy are also key elements in the implementation of good governance arrangements and form key elements of the Council's Annual Governance Review process.

3.3 The Risk Management Policy Objective Statement and Risk Management Strategy were last reviewed in 2014, and it is now appropriate to consider a full review of the complementary framework, in order to ensure it reflects the rapidly changing national and local context and the Council's own situation with regard to the medium term financial position and the ongoing arrangements relating to the Future Council Programme.

**4. Risk Management Framework - Key Issues**

4.1 The delivery of the Risk Management Policy Objective Statement, contained within the Risk Management Framework is crucial to the successful

embedding of a culture where Risk Management is considered a part of normal business processes.

4.2 The recent review of the Risk Management Framework included consideration of any appropriate changes or amendments to the Risk Management Policy objectives, which were last amended in 2014. The review of this document identified that inclusion of the development and embedding of business units as part of the Future Council programme should be maintained. A revised version of the Policy Objective Statement is attached as Appendix One to this report.

4.3 The Risk Management Strategy document sets out the essential elements for the successful delivery of the Policy Objectives, and also sets out how assurance will be provided by ensuring that risks are understood and are being managed appropriately. The Framework contains the following documents:

- Risk Management Strategy;
- Risk Management Policy Objective Statement;
- Risk Champion Role Description;
- Risk Acceptance Model;
- Risk Challenge Process;
- Cabinet Report Writing Guidance;
- Project and Programme Risk Management Protocol;
- All Member Guidance Note; and,
- Risk Management Training Strategy.

4.4 This iteration of the Strategy has been significantly amended to reflect changes to the structure and positioning of the RMS within the Council. The revised version of the Risk Management Strategy is attached as Appendix Two to this report.

4.5 Consideration of the Council's Risk Acceptance Model, initially developed in 2014 has resulted in this document being reviewed to ensure it remains proportionate, and beneficial to risk owners and managers. The revised version of the Risk Acceptance Model is attached as Appendix Three to this report.

## **5. Risk Management Strategy**

5.1 The revised iteration of the Risk Management Strategy (attached as Appendix Two to this report) benefits from a short introductory paragraph, written by the Director Finance, Property and Information Services, which aims to position Risk Management as a way:

*'...to success and excellent performance. It should be no longer considered a barrier to change, or a way of justifying the status quo...'*

It is envisaged this will assist in further developing a culture of managed risk taking within the Council.

5.2 The Risk Management Strategy has also been revised to include, where appropriate consideration of opportunity Risk Management. This is particularly relevant to the consideration of Future Council activity and

associated change management, where it is clear a significant amount of risk taking is being encouraged in order to successfully achieve the ambitions of the Future Council strategy.

- 5.3 Section Five of the Strategy details the Roles and Responsibilities within the Risk Management arrangements. These have been amended to reflect changes to the structure of the RMS.
- 5.4 Section 12 of the Strategy details the performance metrics to assist in the measurement of the success of the delivery of the Risk Management Framework.
- 5.6 Section 13 details a broad, three year Strategic Plan for the further development and embedment of Risk Management activities within the Authority, which will be used to define and develop future workplans and operational outcomes. An update to the Strategic Plan, detailing the activity invested to date, with details of the outcomes achieved are now included.

## **6. Risk Acceptance Model**

- 6.1 The Risk Management Framework previously included the first iteration of the Risk Acceptance Model, which was designed to encourage the upwards escalation of significant risks. The introduction of the Public Sector Internal Audit Standards (PSIAS), and the publication of advice from the Institute of Risk Management (IRM) has encouraged consideration of an organisational wide Risk Appetite model.
- 6.2 In order to ensure this Model is proportionate, and of use to risk owners and manager, the document and process has been revised in 2015 to further encourage a culture of informed and managed risk taking. The revised Risk Acceptance Model is attached as Appendix Three to this report.

## **7. Policy Objective Statement**

- 7.1 It is envisaged that following discussion and subsequent approval by the Audit Committee, the Chief Executive and the Cabinet Spokesperson for Corporate Services will sign and endorse the revised Risk Management Policy Object Statement for 2015 / 16.

## **8. Delivering Corporate Plan Priorities and Future Council Themes**

- 8.1 The Risk Management Policy Objective Statement and Strategy seeks to ensure that those significant risks which could impact upon the delivery of the Authority's objectives, as set out in the Corporate Plan are appropriately managed in order to minimise the significant potential obstacles to the achievement of corporate objectives. Likewise, the Policy Objective Statement and Strategy is positioned to support the consideration of innovative solutions relating to the Future Council Programme.

## **9. Risk Management Issues**

- 9.1 The report focuses upon the development of the Risk Management Policy Objective Statement and Strategy and the contribution this will make to the embedding of a risk management culture throughout the Council.

## **10. Financial Implications**

- 10.1 There are no specific financial implications arising directly from this report although there is often a cost in taking (or not taking) specific action identified through the risk management process. Most individual Cabinet reports have financial implications and so the application of good risk management principles as set out in the Policy and Strategy are vital to ensure the most effective use of resources.

## **11. Appendices**

- 11.1 Appendix One: Risk Management Policy Objective Statement  
Appendix Two: Risk Management Strategy  
Appendix Three: Risk Acceptance Model

## **12. Background Papers**

- 12.1 Various paper and electronic files which are available for inspection at the Westgate Plaza One offices of the Authority.

**Contact Officers: Risk and Governance Manager**

**Telephone: 01226 773241**

**Date: 9<sup>th</sup> April 2015**

The Council and its employees are committed to the continuing embedding into corporate business processes and operations risk management activities which intend to maximise opportunity, and minimise uncertainty through the identification and appropriate control of all significant risks which may affect the achievement of corporate objectives.

**Policy Objectives:**

The Council and its employees will seek to achieve the statement above through the following risk management policy objectives:

- To manage risks (and benefits or opportunities arising) in accordance with best practice, through a culture where responsible, informed and controlled risk taking is encouraged, with agreed risk acceptance parameters;
- To respond to new and emerging risks, including risks arising from changes in the economic, financial, social, legislative, compliance, sustainability, technological and environmental requirements;
- To manage risks arising from programmes, projects and significant partnerships and relationships that the Council is involved in;
- To have in place plans for dealing with risks that may occur following a major incident or significant service disruption, in terms of ensuring the development, maintenance, exercising and testing of comprehensive Council-wide and service based emergency resilience and business continuity plans;
- To contribute towards the effective corporate governance arrangements within the Council, including the embedment of risk management activities into the Councils processes and procedures, and the development and maintenance of the Councils Annual Governance Review;
- To contribute towards the sustainability of the Future Council by providing assurances to leaders that risks are being effectively managed and mitigated, that the Councils decision making processes remain transparent and risk-based, and that the Council remains 'safe';
- To support and enable partners and other groups to become more actively involved in the provision of services that may be delivered on behalf of the Council, by improving their capacity and competency to effectively manage risk; and,
- Supporting localised governance arrangements such as the Councils 'Area Councils' to ensure they are well governed and 'risk-enabled' in terms of their own decision making and activities.

**These Objectives will be support by:**

- The continued development and implementation of a risk management framework that facilitates the effective and efficient management of risk;
- The integration of risk management into the corporate business processes of the Council;
- The support and encouragement of risk management activity throughout the Council and the recognition of the roles and responsibilities of all stakeholders;
- The provision of practical guidance to assist in the development of core competencies and skills for all employees within the Council;
- The development and delivery of training and awareness schemes for all employees, Elected Members and other interested parties;
- The regular review of risk registers, including the escalation of risks that may fall outside of the agreed acceptance levels; and,
- The provision of timely and regular reports that provide assurances that significant risks relating to the achievement of corporate objectives are being appropriately managed.

Signed:

Signed:

Date:

Date:

Chief Executive  
Barnsley Metropolitan Borough Council

Cabinet Spokesperson (Corporate Services)  
Barnsley Metropolitan Borough Council



## **1. Forward**

The period 2014 and beyond represents a difficult and challenging time for Barnsley Metropolitan Borough Council.

Ongoing austerity measures, changes to the governance structures of the Council in light of Area Councils, and a significant transformational programme that seeks to deliver the 'Future Council' model and associated business units means there will be unprecedented uncertainties and threats to the ongoing delivery of high quality services by BMBC.

The effective management of risk will therefore play an important part in the overall management and delivery of this change programme. We cannot afford to simply drive forward in pursuit of our goals and vision without first proper understanding the threats, and opportunities that may be presented.

By applying risk management techniques, we will be able to better understand these threats and either make plans to mitigate them, or decide to accept the risk and adapt to it.

Risk management is an enabler to success and excellent performance. It should be no longer considered a barrier to change, or a way of justifying the status quo.

Effective risk management does not intend to eliminate risk, or foster risk aversion. It aims to provide a mechanism to identify, understand and be aware of the threats to our objectives.

I therefore commend the revised risk management strategy and associated framework to you.

*Frances Foster, CPFA  
Director Finance, Property and Information Services  
January 2015*

## **2. Introduction**

### **2.1 What is Risk?**

Risk can be defined as the threat that an event or action will adversely affect an organisations ability to achieve its own objectives.

A 'risk' is made up of an **event**, which if it manifests will have a **negative impact** on the Council's **objectives**.

Risk is considered in terms of the probability of an occurrence, together with the possible impact, usually expressed by the potential financial loss, and damage to reputation.

However, Risk should also be considered and thought of more positively in terms of the context of both missed opportunities, and opportunities that have not been maximised or properly exploited.



## 2.2 What is Risk Management?

Risk Management is the structure, process and culture that is employed to assist in maximising opportunity, whilst minimising any associated uncertainty.

Risk Management assists in the delivery of the Council's own agenda, including the three main corporate priorities for the Borough, as described in the Corporate Plan for Barnsley (2011 –2015), which are as follows:

- Growing the Economy;
- Improving peoples potential and achievement; and,
- Changing the relationship between the Council and the Community.

These are further underpinned by a priority regarding 'how' as an organisation we are going to ensure that we improve and change, which is broken down into three themes:

- Customers;
- People; and,
- Resources.

## 2.3 Why manage Risk?

Managing the risks that could influence the achievement of policy objectives is an essential part of the Council's corporate governance arrangements and internal control framework. This is recognised in the Accounts and Audit Regulations 2015, section 3, which requires Councils to have:

*'... effective arrangements for the management of risk.'*

- 2.2 The aim of the risk management policy and strategy is to manage risks that threaten the successful delivery of corporate objectives and, where possible, reduce these to an acceptable level. However, it is not the intention to be risk averse, and it is recognised that risks taken in pursuit of objectives will not always be capable of mitigation to the agreed, acceptable levels.
- 2.3 Considerable progress has been made throughout the Council in the last few years in the introduction of risk management policies and procedures which contribute to the development of a risk management culture. However, in light of unprecedented changes to Local Government in more recent years, it is envisaged that robust and embedded risk management systems are needed more than ever to facilitate and support change in terms of new models of service delivery, to assist in the identification of risks (and opportunities) therein, and to ultimately contribute to the provision of assurance regarding the Council's compliance, performance and overall robustness of its internal control and governance framework.
- 2.4 This strategy document sets out how a culture of risk management will be further developed in the next few years. The essential elements required to encourage the further development of a risk management culture are an agreed policy, process and framework which assists in the achievement of corporate objectives and priorities (incorporating linkages to service delivery / business unit plans, the future Council) without imposing undue regulation.
- 2.5 Risk management should be seen to be an essential enabler to the delivery of services, the achievement of objectives and the effective performance management of the Council.



### 3. Risk Management Policy

- 3.1 The policy sets out the overall vision and purpose of risk management within the Council, defines the objectives necessary to the successful delivery of that vision, and details how those objectives will be supported.
- 3.2 The policy is subject to regular review and any proposed amendments are then agreed and accepted by the senior management team (SMT) and Cabinet.

### 4. Risk Management Strategy

4.1 The purpose of the Strategy is to provide the components for delivering the policy and ensuring that risk management arrangements are maintained throughout the Council. The components of the strategy are:

- Roles and responsibilities;
- Risk management process;
- Risk review;
- Risk acceptance;
- Risk recording;
- Guidance, training and facilitation;
- Assurance;
- Performance management; and,
- A three year Strategic Plan.

These components are further detailed later in this document.

4.2 Whilst the principles and mechanics of risk management remain fairly constant, the environment in which the Council operates is changing fast. Where there is change, there is risk and it is therefore critical that across the Council, managers and Elected Members are clear about the risk management framework and its intended benefits to minimise the chance of something going wrong, or missing an opportunity.

### 5. Roles and responsibilities

- 5.1 In order to ensure that the Council's risk management arrangements are implemented and delivered successfully, it is essential that corporate and individual roles and responsibilities are clearly defined.
- 5.2 It is therefore important to ensure that everyone within the organisation understands how their responsibilities fit into the risk management framework. The following tables sets out a summary of the individual roles and responsibilities of Elected Members, specific officers, managers and employees. It also sets out the support available to discharge those responsibilities and how assurance on the overall effectiveness of the risk management framework is established:

The following roles are designed to assist in the **delivery** of effective Risk Management:

Role:	Outcome(s):
Elected Members	<i>Cabinet Spokesperson (Corporate Services) is the Risk Management Champion at Member level.</i> <ul style="list-style-type: none"><li>▪ To oversee the effective management of risk by officers; and,</li><li>▪ Be involved in the identification of high level, strategic risks.</li></ul>
Cabinet	<ul style="list-style-type: none"><li>▪ To approve the Risk Management Policy and Strategy;</li></ul>

<b>Role:</b>	<b>Outcome(s):</b>
	<ul style="list-style-type: none"> <li>▪ To ensure risk is considered as part of the decision making process; and,</li> <li>▪ Ownership of the Strategic Risk Register.</li> </ul>
Chief Executive	<ul style="list-style-type: none"> <li>▪ To lead in the embedding of a Risk Management culture within the Authority; and,</li> <li>▪ To endorse the Risk Management Policy Objective Statement.</li> </ul>
Senior Management Team	<p><i>Director Finance, Property and Information Services is the SMT Risk Champion for the delivery of the Risk Management Framework.</i></p> <ul style="list-style-type: none"> <li>▪ To ensure that the organisation manages risk effectively; and,</li> <li>▪ Approval of levels of risk appetite;</li> </ul>
Directorate Management Teams	<ul style="list-style-type: none"> <li>▪ To ensure risks are managed in each service area, projects and relationships for which they are responsible.</li> </ul>
Service Managers / Project Managers / Partnership Lead Officers	<ul style="list-style-type: none"> <li>▪ To manage risk effectively in their service area, project or relationship for which they are responsible; and,</li> <li>▪ Adherence to relevant controls such as Prince 2 for project managers, and / or the Partnership Governance Framework for partnerships.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>▪ Be aware of and consider risks in the fulfilment of operational duties and contribute to service, division and Directorate Risk Management arrangements as appropriate.</li> </ul>

These roles are further **supported** by:

<b>Role</b>	<b>Outcomes(s):</b>
Risk Management Section	<ul style="list-style-type: none"> <li>▪ To support the Council and its Services in the effective development, implementation and review of the Risk Management Framework; and,</li> <li>▪ To manage the delivery of the Policy Objectives and monitor the progress towards the achievement of Risk Management Performance Indicators.</li> </ul>
Risk Champions	<ul style="list-style-type: none"> <li>▪ To promote and facilitate Risk Management arrangements within their Directorate.</li> </ul>

All of the above roles are designed to provide **assurances** to:

<b>Role:</b>	<b>Outcome(s):</b>
Audit Committee	<ul style="list-style-type: none"> <li>▪ To provide assurances to the Council on the adequacy and effectiveness of the Risk Management Framework and challenge, through the consideration of periodic reports, how the Risk Management Framework is being implemented, and its overall impact.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>▪ To provide assurance to management on the effectiveness of Internal Controls, including the Risk Management Framework through an annual audit.</li> </ul>

5.3 In the event of any conflicting interests, the Service Director Financial Services will arbitrate and adjudicate between the conflicting parties in order to identify a suitable resolution for all parties.

5.4 The Roles and Responsibilities regarding the successful implementation and delivery of the Risk Management framework are also detailed in the Authority's Competency Framework.

## **6. Risk Management Process**

6.1 The Risk Management Process provides a systematic and effective method of managing risks at different levels within the Authority. The process requires every significant risk to be:

- Identified, described and owned / allocated to a named manager;
- Assessed for likelihood and impact;
- Mitigated; and,
- Reviewed.

6.2 Risks are contained within a series of Risk Registers, at strategic, operational, partnership and project levels. Each register is reviewed on a regular basis and new and emerging risks are considered at that time.

## **7. Risk Review**

7.1 Each Risk Register is subject to a formal periodic review by register owners both in relation to current risks, and the consideration of new and emerging risks. Following each review, those risks falling outside of defined acceptance levels should be escalated and reported to management in accordance with the Risk Acceptance Model.

7.2 Operational Risk Registers are also subject to periodic detailed and facilitated reviews, or 'Challenges' undertaken by the Risk Management Section in conjunction with register owners. This process includes a review of the alignment of risks to Service Delivery Plan / business plan objectives, the consideration of generic risks, and the reporting and escalation arrangements for 'out of acceptance' risks.

## **8. Risk Acceptance**

8.1 It is recognised that at times, risks which exceed agreed acceptance levels will be accepted in the pursuit of an objective. Procedures are in place to ensure that these risks are appropriately recognised and reported. Equally, risks which fall within agreed acceptance levels can be reviewed to ascertain whether resources can be safely channelled to other areas that require further mitigation.

8.2 Risk Appetite is the overall level of exposure to risk which is deemed acceptable within the organisation. It is a series of boundaries, authorised by Senior Management in order to give clear guidance on acceptable limits of risk, whether a threat or opportunity. The Public Sector Internal Audit Standards (PSIAS) makes direct reference to the risk appetite of the organisation in the context of determining priorities for internal audit activity. This is also underpinned by the Institute of Risk Management's publication on Risk Appetite and Acceptance.

8.3 Risk Appetite is translated into Risk Acceptance levels, which are defined through the Category Score, allocated to each risk. Risks which fall outside of agreed Risk Acceptance levels are reported to Senior Management, using the Risk Acceptance Model.

8.4 All reports to Cabinet are required to provide details of any potential significant risks in proposed policy changes, Programmes or Projects. The report must include a specific section on Risk Management implications, where an articulation of the significant risks associated with the proposal, along with assurances that appropriate mitigations actions are (or will be) in place should be detailed. This activity will ensure that report authors are able to provide accurate and appropriate information on the management of risk.

## **9. Risk Recording**

- 9.1 The recording, control and monitoring of corporate risks is facilitated through the use of the Corporate Risk Management system, Morgan Kai Insight (MKI). Risks are recorded in a series of Risk Registers which incorporate specific information about individual risks, the existing controls in place, and action plans intended to further mitigate those risks.
- 9.2 The software system ensures a structured, comprehensive and consistent approach to the recording and categorising of risks across all Risk Registers. The benefits of this include the adoption of a common approach, the comparison of risk profiles across services and the development of an overall risk profile and Risk Appetite. It also provides the framework for the continuous monitoring and review of risks, and a common approach to the reporting of risks.
- 9.3 The MKI software is available to all Services and training on its use is provided by the Risk Management Section to nominated users. Training is complemented by a detailed BMBC produced User Manual to assist users in maximising the usage of MKI.
- 9.4 In certain circumstances some project and programme registers will be maintained outside of the corporate software system, MKI. A Project and Programme Risk Management Protocol has been written to provide guidance to assist in the harmonisation of Corporate Risk Management and Project and Programme Risk Management. Essentially:
- Risks to the successful delivery of the activity or outcomes are logged, managed and reported through the P2.net system; and,
  - Risks to the following the delivery of the activity or outcome that relate to the ongoing delivery of services are logged, managed and reported through the MKI system.
- 9.5 Similarly, some Partnership related risk registers are contained within other applications and systems, outside of MKI and the Authority's own Risk Management Framework. The provision of assurance is embedded within the Risk Management reporting arrangements, to ensure that the Authority is satisfied that relevant partnership and relationship risks are managed appropriately.
- 9.6 A stand alone Risk Register has been designed as part of the Schools Risk Management Framework, as it is not currently possible for Schools to access either MKI or P2.net.

## **10. Guidance, Training and Facilitation**

- 10.1 Comprehensive information contained within the Risk Management Framework can be found on the Risk Management Intranet site.
- 10.2 Periodic training for Elected Members and Managers is available from the Risk Management Section on all aspects of Risk Management. All forms of training and facilitation offered by the Risk Management Section are detailed in the Risk Management Training Strategy, which forms part of the Risk Management Framework.
- 10.3 Furthermore, a Risk Management awareness module is now included in the Authority's electronic learning resources, BOLD.

## 11. Assurance

- 11.1 The provision of assurance that risks are understood and managed appropriately is an essential measure of the adequacy and effectiveness of the Authority's Risk Management Framework. This assurance is provided in the following ways.
- 11.2 The Risk Management Section ensures the presentation of an annual Risk Management report to the Audit Committee. This will be supplemented by further update reports throughout the year, and specific reports on the development of the Strategic Risk Register. Where possible, these reports are initially circulated to Risk Champions for comment, prior to being presented at Audit Committee.
- 11.3 Reports on the development of the Strategic Risk Register will also be presented to the Senior Management Team, Audit Committee and Cabinet.
- 11.4 An annual, independent review of the Risk Management arrangements is undertaken by the Authority's Internal Audit Section.
- 11.5 The Risk Management arrangements of each Service are subject to review as part of the process for the compilation of the Annual Governance Statement.

## 12. Performance Management

- 12.1 It is essential that the success of the Risk Management Strategy can be measured. The measurement of performance corporately is however difficult and somewhat subjective. Work is continuing to develop appropriate measures to manage risk management across the Authority. An initial indicative list of performance indicators (PIs) have been developed, and are attached as appendix one.
- 12.3 A number of proposed PIs make reference to the maintenance or improvement of scores relating to the ALARM / CIPFA Benchmarking exercise. The results of this exercise are described in terms of an overall percentage, which is then compared to national averages, as well as summarised in terms of overall maturity. It is proposed to focus on the overall maturity levels, rather than focus on the detailed percentage scores.
- 12.4 The PI relating to 'deviance from previous average risk category score' provides a snapshot of the overall risk category score for all risks logged in MKI. This is intended to provide assurances regarding the overall level of risk for the Authority regarding risks logged in MKI.

## 13. Strategic Plan

- 13.1 The consideration of longer term objectives for the RMS are detailed below:

Year	Activity	Comment
14/15	Implementation and embedment of Morgan Kai version 8 including the encouragement of risk owners and managers to participate in process	Version 9 implemented in March 2015
	Further integration and support to South Yorkshire Joint Secretariat arrangements, including the maintenance of external clients	Integration complete – RMS supporting SJYS function
	Resolution of conflicts between Morgan Kai Insight and other corporate systems and	No specific conflicts identified

<b>Year</b>	<b>Activity</b>	<b>Comment</b>
	databases in current use	
	Completion of Institute of Internal Auditors Certificate for Corporate Risk Management Officer to contribute to the overall professionalism and development of the service	Completed
	Development of Future Council Risk Management arrangements, including supporting the emerging Business Units and their own governance arrangements	Completed
<b>15/16</b>	Supporting and developing Risk Management arrangements for Business Units and Trading Services	Various workshops and business planning events programmed for 15/16
	Embedment of Future Council Risk Management arrangements	
	Developing and embedding the revised Annual Governance Review process and the production of the Future Councils Annual Governance Statement	Process developed and presented to SMT, BLT and Audit Committee
<b>16/17</b>	Review and refresh of Future Council Risk Management arrangements	
	Full review and refresh of Strategic Risk Register to reflect Future Council arrangements	
<b>17/18</b>	Consideration of risks and opportunities in terms of city regional devolution in terms of skills, employment, business support, transport and housing	

#### **14. Opportunity Management**

- 14.1 The development of the Future Council model and the creation of a Local Authority trading company structure has provided the framework for the Authority to move towards a new approach to service delivery in terms of trading services or Business Units.
- 14.2 The creation of Business Units offers new opportunities for these trading services to potentially generate new income streams going forward from 2015/16 onwards, thereby securing their immediate future and providing viable and sustained employment for employees.
- 14.3 These opportunities must be carefully managed via robust and realistic Business Cases, and this is where, by applying risk management principles and techniques, the chances of lost or missed opportunities can be minimised, and the risks to the viability and overall success of the business units can be identified and addressed at an early course. Direct support has been provided to the Human Resources Trading Company, now based at the Barnsley Business and Innovation Centre (BBIC) and the Independent Living at Home Service (ILAHS).

#### **15. Risk Management Arrangements for Other Bodies**

- 15.1 The Risk Management Section will seek to expand the service by exploring opportunities for market testing the services it offers where there is a clear benefit in terms of operational synergies, economies of scale, service continuity and employee development.

Consideration will always be given to ensuring the continuity and quality of service to existing (internal) clients.

**16. Advice and Guidance**

16.1 Guidance documents relating to the matters detailed in the Risk Management Strategy are available on the Authority's Risk Management Intranet site. Further advice and guidance can be provided by the Risk Management Section. Contact details are as follows:

<b>Name / Designation</b>	<b>Contact Details</b>
Adrian Hunt – Risk and Governance Manager	<u><a href="mailto:adrianhunt@barnsley.gov.uk">adrianhunt@barnsley.gov.uk</a></u> 01226 77 3119

**17. Appendices**

17.1 Appendix One: Risk Management Performance Indicators 2015/16



## Appendix One: Risk Management Performance Indicators 2015/16

Indicator	Quarter One: 01/04/2014 - 30/06/2014	Quarter Two: 01/07/2014 - 30/09/2014	Quarter Three: 01/10/2014 - 31/12/2014	Quarter Four: 01/01/2015 - 31/03/2015
<b>Process:</b>				
% of Services completing Operational Risk Register Review on time	100%	100%	100%	87.5%
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to <b>Leadership and Management</b>	Assessed Level: '4: Embedded and Integrated' (Actual score 77: +0.6% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to <b>Policy and Strategy</b>	Assessed Level: '5: Driving' (Actual Score 85: +6.9% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to <b>People</b>	Assessed Level: '5: Driving' (Actual Score 85: +8.7% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to <b>Partnerships and Resources</b>	Assessed Level: '3: Working' (Actual Score 65: -5.1% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to <b>Processes</b>	Assessed Level: '4: Embedded and Integrated' (Actual Score 72: -5.5% deviance on national average)			
<b>Changes to Risk Profile:</b>				
Deviance from previous Average Risk Category Score	3.09	-	3.23	-
<b>Outcomes:</b>				
Maintenance / improvement of ALARM/CIPFA Benchmarking scores relating to <b>Risk Handling</b>	Assessed Level: '3: Working' (Actual Score 49: -21.3% deviance on national average)			
Maintenance / improvement of ALARM/CIPFA Benchmarking scores relating to <b>Outcomes and Delivery</b>	Assessed Level '3: Working' (Actual Score 50: -17.7% deviance on national average)			

**1. Background and Context**

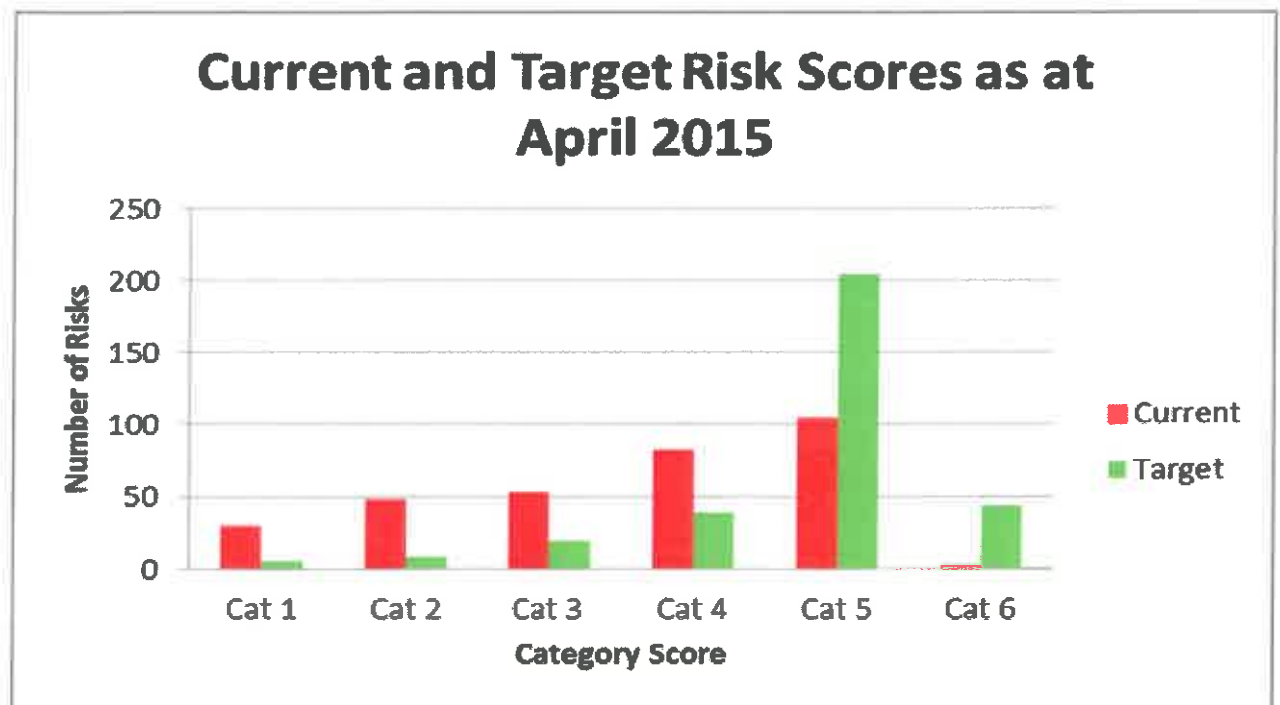
- 1.1 In order to help mitigate against the impacts of the current austerity measures and to drive forward the changes that will assist in delivering the vision for the Council, it is necessary to ensure the organisation is able to maximise and exploit important opportunities and innovative solutions.
- 1.2 In the context of changing public services, relating to how services will be delivered, to what level and by whom, it is essential to ensure the Council is able to:
- Respond positively to challenges;
  - Make the most of limited, and reducing resources;
  - Ensure plans, projects and programmes are appropriately resourced to maximise success and deliver the intended priorities and outcomes; and,
  - Implement robust arrangements to performance manage progress.
- 1.3 In order to enable the changes required to deliver the 'Future Council' model, and change the way the Council thinks and acts, it is important to provide a framework in which innovation and managed risk taking is encouraged, within the overall tolerances and boundaries in which the Council operates. Within this framework it is also important to ensure the Council's stakeholders are provided with robust assurances that ultimately, the organisation remains safe and well governed.
- 1.4 Whilst risk management within the Council is embedded and working, issues regarding tolerance, risk taking / opportunity taking and the overall level of risk the Council is willing to accept when dealing with cultural, economic, social and demographic challenges requires review. This will help ensure these issues contribute, and enable the changing culture from traditional risk aversion to one of managed, informed risk taking and acceptance.

**2. Risk Appetite – What can we accept?**

- 2.1 Risk appetite or risk acceptance is the overall level of risk the Authority is prepared to tolerate or accept in order to deliver objectives and services. This is defined in BS ISO: 31000 (the International Standard for Risk Management), as:
- 'The amount of risk that an organisation is prepared to seek, accept, tolerate'*
- 2.2 This consists of all risks which fall within accepted risk tolerance levels, aggregated with those additional higher rated risks which the Council has agreed to accept.
- 2.3 Recent guidance, issued by the Institute of Risk Management 'IRM Guidance Paper – Risk Appetite and Risk Tolerance', and CIPFA / CIIA 'Public Sector Internal Audit Standards' both highlight the benefits in developing a proportionate risk appetite or acceptance model that will enable decision makers to be better aware of the risks being taken to achieve the Authority's goals and objectives.
- 2.4 The corporate risk management software system, Morgan Kai Insight (MKI) contains a wealth of information which helps to determine risk appetite. This requires all risks to be assessed for the

actual or 'Current' risk score, and the residual or 'Target' risk score, once all mitigation actions have been completed and delivered successfully.

2.5 The following table shows the council's risk profile derived from the strategic and operational risk registers as at April 2015. The 'Target' risk data is a strong indicator of risk appetite as it equates to the overall level of anticipated residual risk. Within this there are 13 risks that are logged as being either Category 1 or 2, showing that these risks, regardless of mitigations and resource, will always remain outside of the Council's tolerance level:



2.6 This compares to some 78 risks that are currently logged as being Category 1 or 2, in terms of the Current risk score. Continued work in terms of risk management and mitigation will be required to reduce the overall risk profile to a level that 'fits' the principle of acceptable risks (or risks within the Authority's appetite), including the reduction in the number of red risks from 90 to 30.

2.7 Essentially, the concept of risk acceptance relies on the consideration of both the Current and Target risk category score. This will enable:

- Significant risks being escalated to DMT's, and where appropriate, SMT:  
Some risks that are traditionally 'out of tolerance' may not require immediate escalation, if it felt that the Target Score is achievable with the current level of resources being applied to the risk / mitigation action(s). Both DMT's and SMT will be able to focus their attention on only the significant, unacceptable risks; and,
- Risk Owners and Risk Managers to be encouraged to manage the risk themselves:  
It is likely Risk Owners and Risk Managers will be able to deploy more innovative solutions to the management of significant risk.

2.9 The following sections provide a narrative for Risk Owners or Risk Managers to consider when applying the concept of risk appetite and tolerance to their own risks.

### **3. What is the Current and Target Risk Category Score?**

#### **3.1 Category 5 or 6 (Green):**

##### Monitor and Review:

These risks are well within tolerance and can be considered 'acceptable' risks. Generally, they do not require explicit mitigation, and the level of probability and impact will suggest any further action or resource that could be applied would not necessarily be cost effective.

- It is likely that these risks have both a Current and Target category score that have been assessed as being either category 5 or 6 (Green).

*A risk mitigation can be logged to acknowledge this monitoring position – 'Monitor and Review 2013 / 14' with a 'Review Date' set for the next [Operational Risk Register review closedown date](#). This mitigation action can be managed by the named risk mitigation owner.*

*Although the risk has been assessed as being 'acceptable' it does not mean the risk can be closed; an appropriate period of monitoring the risk will be required, to ensure the result of the assessment remains acceptable.*

#### **3.2 Category 3 or 4 (Amber):**

##### Manage and Monitor:

These risks are within tolerance, but have the potential to become more significant if not carefully managed. These risks therefore require robust mitigations to ensure the probability and / or impact assessments do not increase – monitoring these risks is simply not enough.

- Those risks that have a Current category score of 3 or 4 (Amber), but a Target category score of 5 or 6 (Green) clearly can be mitigated to acceptable levels; or,
- Those Risks that have a Current category score of 3 or 4 (Amber), but a Target category score of 3 or 4 (Amber) also are identified as being concerns that are perhaps more difficult to mitigate to acceptable levels.

*Risk mitigations therefore need to be specific and aimed at either reducing or maintaining the current risk assessment. These mitigation actions will be monitored and updated as part of the Operational Risk Register review process. These mitigation actions will require management by the named Risk Manager.*

#### **3.3 Category 1 or 2 (Red):**

##### Manage and Mitigate:

These risks are outside of the Authority's risk tolerance, and therefore, these risks should be considered as significant, and unacceptable.

A full understanding of the risk assessment should be undertaken in order to properly understand the dynamics of the individual risk, in terms of:

- Those risks with a significant level of probability, by their nature are more likely to occur, and therefore require attention before other risks – a ‘worst first’ approach;
- Those risks with a significant level of probability, but a less significant level of impact, should have mitigations in place to address both the likelihood and impacts. The priority for these risks will generally be to reduce the level of probability to a more acceptable level; and,
- Those risks with a high or very high impact, but a low or very low probability assessment should be addressed by considering the effect of the risk, and ensuring that robust responses to the *impact* are considered. Attempts to reduce the impact should be considered, along with robust methods of dealing with the manifestation of the impact, perhaps using Business Continuity or Emergency Planning responses.

*Risk mitigations must be focussed on both reducing the probability of the risk occurring, and reducing the impact of the risk, should it manifest. These mitigation actions should be regularly monitored and managed by the Risk Owner or the relevant DMT. It is expected that evidence of the monitoring by the Risk Owner of DMT can be made available to the RMS on request, in order to provide assurances to interested parties such as the Authority’s Audit Committee.*

#### 4. Application

4.1 The following table identifies the Current and Target scoring, the Statement of Acceptance and whether the risk is within the Authority’s Risk Tolerance. The table then identifies the appropriate action for each risk, based on the combination of these factors:

Current Category Score	Target Category Score	Comment
5 – 6 (Green)	5 – 6 (Green)	Monitored and Reviewed via ORR’s.
3 – 4 (Amber)	5 – 6 (Green)	Managed and Monitored via ORR’s.
3 – 4 (Amber)	3 – 4 (Amber)	Managed and Monitored via ORR’s.
1 – 2 (Red)	5 – 6 (Green)	Managed and Mitigated via ORR’s.
1 – 2 (Red)	3 – 4 (Amber)	Managed and Mitigated via ORR’s.
1 – 2 (Red)	1 – 2 (Red)	Escalated.

6.2 Appendix one details a process map, which has been designed to assist Risk Owners or Risk Managers in applying the principles of Risk Acceptance to their own risks, following Operational Risk Register reviews.

**5. Assurance**

- 7.1 The Risk Management Section will prepare regular reports to SMT summarising the overall risk profile of the SRR, alongside those significant out of tolerance and acceptance risks.
- 7.2 As part of this reporting and assurance process, the management of significant strategic, operational and project risks are reported to the Audit Committee and Cabinet within existing reporting processes.

