

## **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>

Role:	Outcome(s):
	<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:

Role	Outcomes(s):
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:

Role:	Outcome(s):
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 databases in current use	No specific conflicts identified
	Completion of Institute of Internal Auditors Certificate for Corporate Risk Management	Completed

Year	Activity	Comment
	Officer to contribute to the overall professionalism and development of the service	
	Development of Future Council Risk Management arrangements, including supporting the emerging Business Units and their own governance arrangements	Completed
15/16	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
16/17	Review and refresh of Future Council Risk Management arrangements	
	Full review and refresh of Strategic Risk Register to reflect Future Council arrangements	
17/18	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:

Name / Designation	Contact Details
Adrian Hunt – Risk and Governance Manager	<a href="mailto:adrianhunt@barnsley.gov.uk">adrianhunt@barnsley.gov.uk</a> 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 <b>completing Operational Risk Register Review on time</b>	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 <b>Average Risk Category Score</b>	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)			