

**Audit Committee – 5<sup>th</sup> December 2018**

## **RISK MANAGEMENT FRAMEWORK REVIEW**

### **1. Purpose of Report**

- 1.1 The purpose of this report is to provide assurance to the Audit Committee regarding the Risk Management Framework remaining fit for purpose, prior to the Framework being considered and approved 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 revisions to the Risk Management Framework to ensure it remains fit for purpose; and**
- (ii) **Subject to comments of the Committee, agree that the Risk Management Framework is referred to Cabinet for 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 and Risk Management Strategy, which sets out how the Council will seek to embed this approach to risk into its normal activities through the ongoing development of a risk management culture. The Risk Acceptance Model is also included as part of the Framework, and is designed to ensure outcomes from the risk management approach are considered, and where appropriate, escalated.
- 3.2 The Risk Management Framework, including the Risk Management Policy, Risk Management Strategy and Risk Acceptance Model are also key elements in the implementation of good governance arrangements and form key elements of the Councils Annual Governance Review process.

### **4. Risk Management Framework**

- 4.1 In order to ensure the Framework and its constituent components remain relevant and fit for purpose, the entire Framework has been reviewed in 2018.

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

- 5.1 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 in place to support the consideration of innovative solutions relating to the Future Council Programme.

## **6. Risk Management Issues**

- 6.1 The report focuses upon the development of the Risk Management Framework and the contribution this will make to the embedding of a risk management culture throughout the Council.

## **7. Financial Implications**

- 7.1 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 Framework are vital to ensure the most effective use of resources.

## **8. Background Papers**

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

## **9. Appendices**

None.

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**Telephone:** 01226 773119  
**Date:** 3<sup>rd</sup> September 2018

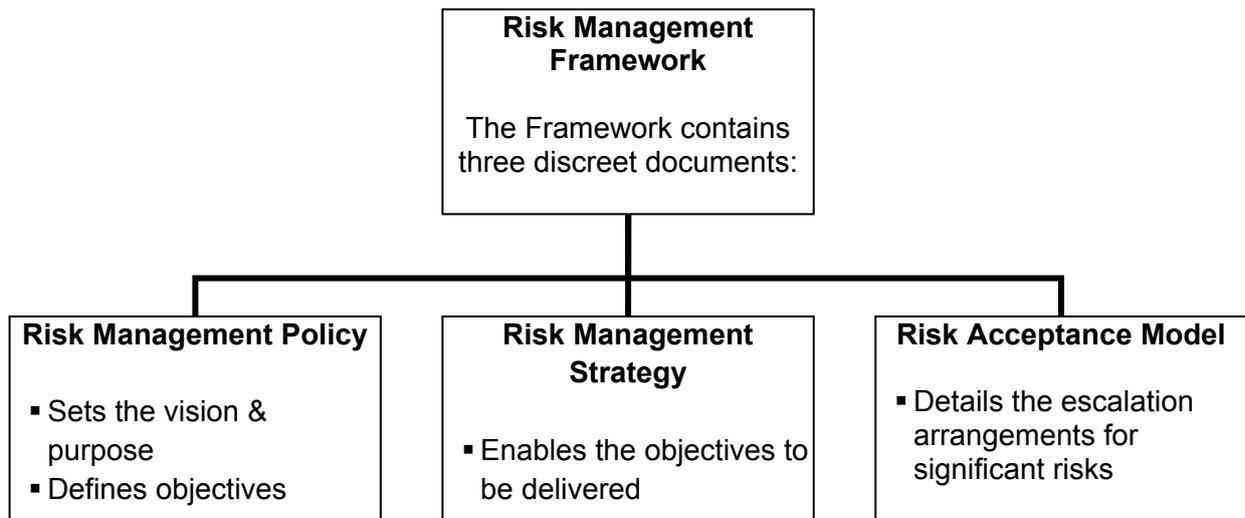
# RISK MANAGEMENT FRAMEWORK

## Barnsley Metropolitan Borough Council

November 2018

### 1. The Risk Management Framework

- 1.1 The Risk Management Framework refers to a suite of documents that set out the structures, processes and culture that is required to ensure the Council has robust and proportionate arrangements in place to effectively manage risk.
- 1.2 The Risk Management Framework is comprised of the following documents:



a foreword written by the Executive Director of Core Services, provides an ex

### 2. Risk Management Policy

- 2.1 The Risk Management 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.
- 2.2 The Policy is subject to regular review and any proposed amendments are then agreed and accepted by the Councils Senior Management Team (SMT) before consideration by the Audit Committee and finally, Cabinet.
- 2.3 To provide a high-level mandate for the Councils Risk Management arrangements, the Policy is signed by the Councils Chief Executive and the Cabinet Spokesperson for Core Services.
- 2.4 The Risk Management Policy is attached as Annex One to this document.

### 3. Risk Management Strategy

- 3.1 The purpose of the Strategy is to provide the platform from which the Risk Management Policy objectives can be delivered.

- 3.2 The Strategy is designed to act as a background document, as well as providing and explanation of key terms.
- 3.3 The Risk Management Strategy is attached as Annex Two to this document and is further complemented by various guidance notes and document published on the Risk Management intranet site.

#### **4. Risk Acceptance / Risk Appetite**

- 4.1 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.
- 4.2 Risk Appetite is the overall level of exposure to risk which is deemed acceptable within the organisation. This approach is authorised by Senior Management in order to give clear guidance on acceptable limits of risk. This is also in line with the Public Sector Internal Audit Standards (PSIAS) which 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.
- 4.3 The Risk Acceptance / Risk Appetite Model is attached as Annex Three to this document.

#### **5. Review**

- 5.1 The Risk Management Framework will be subject to an annual review by the Strategic Risk, Insurance and Governance Manager.
- 5.2 Any significant material changes will be reported to the Audit Committee and subsequently Cabinet.

**RISK MANAGEMENT POLICY**

**Barnsley Metropolitan Borough Council**

**November 2018**

The Council and its employees are committed continually embedding Risk Management into its corporate business processes. Risk Management is intended 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 and through a culture where responsible, informed and controlled risk taking is encouraged within 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 issues;
- To manage risks arising from programmes, projects and significant partnerships / relationships that the Council is involved in;
- To contribute towards the effective corporate governance arrangements within the Council including the embedding of risk management activities into the Councils processes and procedures as well as and the development and maintenance of the Councils Annual Governance Review including the subsequent production of the Councils Annual Governance Statement;
- To contribute towards the sustainability of Future Council by providing assurances to leaders that risks are being effectively managed and mitigated, that the Councils decision making processes are 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 continued integration of risk management into the corporate business processes of the Council;
- Supporting and encouraging 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:

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Date:

Date:

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Chief Executive  
Barnsley Metropolitan Borough Council

Cabinet Spokesperson (Core Services)  
Barnsley Metropolitan Borough Council

**R I S K M A N A G E M E N T S T R A T E G Y**

**Barnsley Metropolitan Borough Council**

**November 2018**

**1. Background**

1.1 In order to ensure the Risk Management Policy objectives are delivered, and that the Councils Risk Management arrangements are fit for purpose, the Risk Management Strategy has been developed to outline how the council will manage risk effectively.

**2. Roles and Responsibilities**

2.1 In order to ensure that the Councils risk management arrangements are implemented and delivered successfully, it is essential that corporate and individual roles and responsibilities are clearly defined.

2.2 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:

<b>Role:</b>	<b>Outcome(s):</b>
Elected Members	<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> <p><i>The Cabinet Spokesperson (Core Services) is the Risk Management Champion at Member level.</i></p>
Cabinet	<ul style="list-style-type: none"> <li>▪ To approve the Risk Management Policy and Strategy;</li> <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 Council; and,</li> <li>▪ To endorse the Risk Management Policy Objective Statement.</li> </ul>
Senior Management Team	<ul style="list-style-type: none"> <li>▪ To ensure that the organisation manages risk effectively;</li> <li>▪ Ensuring the Strategic Risk Register remain relevant and vibrant; and,</li> <li>▪ Approval of levels of risk appetite;</li> </ul> <p><i>The Executive Director (Core Services) is the SMT Risk Champion for the delivery of the Risk Management Framework.</i></p>

<b>Role:</b>	<b>Outcome(s):</b>
Business Unit 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 the Councils Corporate Project Management Approach 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 Business Unit and Directorate Risk Management arrangements as appropriate.</li> </ul>

These roles are further **supported** by:

<b>Role</b>	<b>Outcomes(s):</b>
Strategic Risk, Insurance and Governance Manager	<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>
Corporate Assurance Group Members	<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>

### 3. Risk Management Approach

3.1 The Risk Management Approach provides a systematic and effective method of managing risks at different levels within the Council. 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.

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

### 4. Risk Recording

4.1 The recording, control and monitoring of corporate risks is facilitated through the use of a series of excel spreadsheets. 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.

4.2 These Risk Registers have been transferred to the Councils Document Management System (SharePoint) to enable an appropriate level of information sharing and collaboration throughout and within the Council.

4.3 The Council has a number of risk registers that allow for the recording of risks, and the risk mitigation actions that have been identified and put in place to reduce the significance of risks. These registers include:

- **Strategic Risk Register** – this register is used to capture all significant risks to the Councils strategic objectives. This register is owned and managed by SMT;
- **Board Risk Registers** – these registers are designed to assist significant corporate groups identify and manage risk. For example, the Information Governance Board benefits from its own risk register which includes a number of risks that could affect:
  - The Councils own information governance arrangements;
  - The Councils relationship with regulators; and,
  - Specific exposures to information governance risk identified by individual service areas.
- **Operational Risk Registers** – each Business Unit benefits from a risk register which includes specific risks that could affect the objectives of the service in question;
- **Project Risk Registers** – all significant projects that the Council is involved in should benefit from a discrete risk register which details the risks to the achievement of project aspirations e.g. the Glassworks project;

- **Partnership Risk Registers** – all significant partnership that the Council is involved in should benefit from a stand-alone risk register. Services are also encouraged through the Partnership Governance Framework to consider partnership risks within their own Business Unit risk register e.g. the Health and Wellbeing Partnership Board.

## 5. Exposures

5.1 The Council is exposed to a large number of risk areas, as a result of its responsibilities to the community in terms of statutory responsibilities, high expectations from customers and service users and responsibilities to deliver high quality, efficient public services.

5.2 A number of risk areas are considered as part of the identification of risk, whether this is at a Strategic or Operational level. These include:

- **Legal / Regulatory risks** – for example, the Council is statutorily responsible for the provision of education within the Borough, and also has responsibilities to remain 'safe' in terms of its own compliance with regulations such as Health and Safety legislation, or the General Data Protection Regulations;
- **Political risks** – this includes consideration of local political issues such as the Yorkshire Devolution deal, and wider, national and global issues such as Brexit;
- **Social risks** – high levels of customer expectation, and the increasing use of technology including social media by stakeholders to engage with Council;
- **Economic risks** – further austerity measures and uncertainty as a result of Brexit is likely to result in further organisational change;
- **Technological risks** – maximising new technology, encouraging a channel-shift to explore more efficient ways of interacting with customers;
- **Environmental risks** – ensuring the right conditions are in place for economic investment and ensuring the Borough is protected for future generations.

## 6. Assurance

6.1 The provision of assurance that risks are understood and managed appropriately is an essential measure of the adequacy and effectiveness of the Councils Risk Management Framework. This assurance is provided in the following ways.

- The Strategic Risk, Insurance and Governance Manager ensures the presentation of an annual Risk Management report to the Audit Committee. This will be supplemented by a further update report throughout the year, and specific reports on the development of the Strategic Risk Register. Where possible, these reports are initially circulated to the Corporate Assurance Group for comment, prior to being presented at the Audit Committee;

- Reports on the outcomes of the bi-annual review of the Strategic Risk Register will also be presented to the Senior Management Team, Audit Committee and Cabinet;
- An annual, independent review of the Risk Management arrangements is undertaken by the Councils Internal Audit Section;
- Risk Management and Insurance activities are benchmarked with national and regional peers via the ALARM / CIPFA Benchmarking Club;
- The Risk Management arrangements of each Service are subject to review as part of the process for the compilation of the Annual Governance Statement.

## 7. Performance Management

7.1 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. It is likely that performance indicators for 2018 / 19 will be reviewed in light of the Financial Services [‘Core Offer’](#).

## 8. Strategic Plan

8.1 The consideration of longer term objectives for the Risk Management within the Council are detailed below:

Year	Activity	Comment
18/19	Developing links to Insurance arrangements within the Council	Whilst the intention is not to create a joint Risk and Insurance Policy, combining these two sections assists in identifying and exploiting joint opportunities
	Full review of Risk Management Arrangements and support within BMBC to recognise the increased embeddedness of Risk Management within the Councils business processes	Future support will focus on strategic advice and is likely to reflect a decrease in operational Risk Management support, and an expectation that Service Directors and Business Units will become more self-sufficient
19/20	Reviewing the impact of changes to the support available to facilitate Risk Management activities within the Council	Reviewing the outcomes of the above activity, and providing assurances that arrangements are still fit for purpose
	Developing improvements to Strategic Risk Reports	Working with BMBC Communications to improve the style and content of risk reports to include pictograms and infographics
	Supporting Financial Services Core Offer in taking a risk based approach to budget setting and monitoring	Delivering added value advice and support to assist budget holders in identifying and mitigating financial risk

**9. Risk Management Arrangements for Other Bodies**

9.1 The Strategic Risk, Insurance and Governance Manager continues to support a number of other organisations with regard to their risk management, governance and insurance arrangements including the South Yorkshire Fire and Rescue Service and Authority and the South Yorkshire Pensions Authority.

**10. Advice and Guidance**

10.1 Guidance documents relating to the matters detailed in the Risk Management Strategy are available on the Councils 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 – Strategic Risk, Insurance and Governance Manager	<a href="mailto:adrianhunt@barnsley.gov.uk">adrianhunt@barnsley.gov.uk</a> 01226 77 3119

**11. Appendices**

11.1 None.

## RISK APPETITE / RISK ACCEPTANCE MODEL

### Barnsley Metropolitan Borough Council

November 2018

#### 1. Background and Context

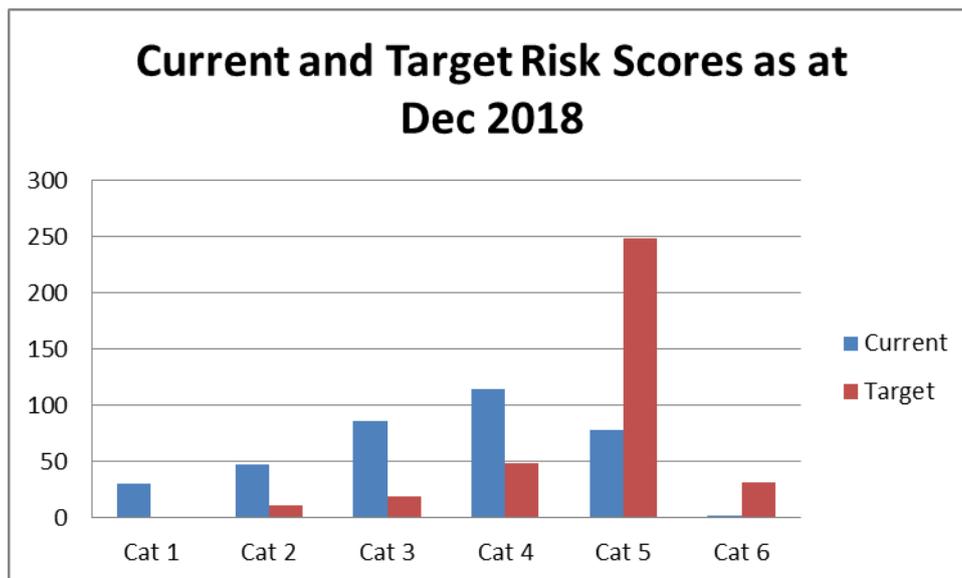
- 1.1 In order to help mitigate against the impacts of the current austerity measures and to drive forward the changes that will assist in delivering the vision for the Council, it is necessary to ensure the organisation is able to maximise and exploit important opportunities and innovative solutions.
- 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 maintain the 'Future Council' model, and continue to challenge and change the way the Council and its stakeholders think and act, it is important to provide a framework in which innovation and managed risk taking is encouraged, within the agreed risk acceptance parameters. Within this framework it is also important to ensure the Council's stakeholders are provided with robust assurances that the organisation ultimately remains safe and well governed.
- 1.4 Whilst risk management within the Council is embedded and working, issues regarding risk acceptance and risk escalation (in terms of the overall level of risk the Council is willing to accept when dealing with cultural, economic, social and demographic challenges) is dynamic, and should be subject to regular review.

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

- 2.1 Risk appetite or risk acceptance is the overall level of risk the Council 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 Councils goals and objectives.
- 2.4 The Councils Risk Registers contain 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 Councils risk profile derived from the operational risk registers as at December 2018. 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 11 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 Councils tolerance level:



- 2.6 This compares to the 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 Councils appetite), including the reduction in the number of red risks from 78 to 11.
- 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 Business Unit Management Team Meetings, and where appropriate, SMT:  
Some risks that are traditionally 'out of tolerance' may not require immediate escalation, if it is felt that the Target Score is achievable with the current level of resources being applied to the risk / mitigation action(s). Both Business Unit Management Team Meetings and Senior Management Team Meetings 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.

### 3. Application

3.1 The following table identifies the Current and Target scoring, the Statement of Acceptance and whether the risk is within the Councils 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 / Consider Escalation
1 – 2 (Red)	3 – 4 (Amber)	Managed and Mitigated via ORR's / Consider Escalation
1 – 2 (Red)	1 – 2 (Red)	Escalated.

4.2 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

5.1 The Strategic Risk, Insurance and Governance Manager will prepare regular reports to the Councils Senior Management Team summarising the overall risk profile of the SRR, alongside those significant out of tolerance and acceptance risks.

5.2 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.

## **6. Appendices**

6.1 Appendix One: Risk Acceptance Process Map 2018

BMBC RISK ACCEPTANCE MODEL 2018

