

BARNSELY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

REPORT OF THE EXECUTIVE DIRECTOR CORE SERVICES TO CABINET ON 2 JUNE 2021

RISK MANAGEMENT POLICY STATEMENT AND FRAMEWORK

1. Purpose of report

- 1.1 This report presents for Cabinet consideration and approval the new Risk Management Policy Statement and Framework, following the fundamental review of the approach to risk management in the Authority.

2. Recommendations

- 2.1 **It is recommended that Cabinet approve the Policy Statement at Appendix 1 and endorse the Risk Management Framework at Appendix 2, by promoting and demonstrating the behaviours and values that support well informed and considered risk taking and through open and frank conversations about risks, ensuring appropriate reporting and escalation as required.**

3. Introduction

- 3.1 A fundamental review of the Authority's approach to risk management has been undertaken over the last 12 months. The review has sought to introduce an approach to risk that has a focus on positive and enabling action in a more dynamic and timely manner.
- 3.2 Whilst the generic term of risk management will remain, the new approach as described in the Framework, promotes a different way of thinking. To ensure a more timely and dynamic approach, 'risks' are thought of as the following:

Concerns – something that is likely to happen in the relatively near future – e.g., a concern regarding the achievement of an objective, or the need to meet future requirements e.g. new legislation or maintaining/meeting specific service levels.

Issues – something that has gone “wrong” – live problems that need a specific response – e.g. arising from a complaint, enforcement action against the Council or a failure of a service or contractor.

Areas of focus – likely to be important strategic or operational objectives of a slightly longer time frame which need to remain in the focus of the

management team – e.g. Glassworks Development as a strategic focus, or a new IT system as an operational focus.

- 3.3 There is a simpler assessment process removing the more subjective 'score' for likelihood and impact and instead focussing on the priority of response. The new approach is described fully in the Framework attached as Appendix 2.
- 3.4 The approach promotes a change in the language and thought-process of risk from typically a risk of 'failure' to a focus on what we need to do to achieve, deliver, meet challenges; a more positive perspective. The Senior Management Team and all Business Units have been involved in the review and have given very positive feedback in terms of the simplicity of the approach and the more enabling focus.
- 3.5 A new supporting 'system' has also been developed utilising the SharePoint and PowerBi, systems that are familiar to most officers. This has been developed in-house rather than procuring expensive software. This too has been very well received by officers at all levels
- 3.6 As part of the review, it was felt important to establish a simple and clear 'policy statement', signed by the Leader and Chief Executive that shows the commitment of the Council to manage risks. This is attached as Appendix 1.
- 3.7 The Audit and Governance Committee will maintain oversight of the new risk management arrangements as part of its terms of reference. The Committee has reviewed the draft Policy Statement and Framework and endorsed it for Cabinet approval.
- 3.8 As a separate item but on the agenda is the new strategic risk register for Cabinet to consider.

4. Proposal and justification

- 4.1 There are clearly many ways to approach risk management. There are also numerous systems on the market to manage risk, but most if not all, have that underlying approach of 'what could go wrong', the focus on 'failure' risk and/or not having sufficient resources.
- 4.2 It was felt that that traditional approach no longer served an organisation experiencing change, transformation and challenges in the day to day delivery of services. For a 'risk management' approach to work, it must be there to really help management, channel thoughts towards achievement and delivery and therefore be a key strategic and operational management tool that is embedded in business as usual.
- 4.3 The new approach has been implemented in some shape or form in a number of other organisations the Council works with or supports, namely South Yorkshire Police, South Yorkshire Fire and Rescue, the SCRMCA, Berneslai

Homes and another organisation in the health sector. It is also being considered by a local Multi-Academy Trust.

- 4.4 The piloting of the approach has been very successful with universally positive feedback from officers across the Council

5. Consideration of alternative approaches

- 5.1 The Authority had operated a traditional risk management approach for many years. Whilst this had been successful in the past it had grown into a rather unwieldy process that was difficult for services to manage. The strategic risk register had also grown to include over 30 'risks'. The Peer Review and a subsequent independent consultant were both critical of the size and nature of the strategic risk register and challenged whether the risk management process was as effective and efficient as it should be.

- 5.2 This prompted the major review to identify a methodology that was reflective of a dynamic organisation that would truly support decision-making and be capable of being embedded in normal management processes and importantly be self-service, where there was less reliance on a 'corporate risk manager' holding the reins.

- 5.3 The approach was therefore to seek a more modern and dynamic approach and one that was easier to operate at all levels within the Authority. The Framework attached reflects that new approach as the most appropriate to support both strategic and operational risk management.

6. Implications for local people / service users

- 6.1 Whilst there are no direct or immediate implications for local people and service users, the new approach is geared to reflect live concerns, issues and areas of focus that reflect the strategic and operational objectives of the Council that to have such implications.

- 6.2 There is also the recognition that the public and service users would expect the Council to have governance processes in place to maximise efficiency and effectiveness.

7. Financial implications

- 7.1 There are no specific or direct financial implications. However, it is clear that there can be a major impact on the finances and resources of the Council should there not be due consideration of 'risks' and the ability to ensure success, delivery and achievement.

8. Employee implications

- 8.1 Again, there are no direct employee implications. However, managing risk is every employee's duty in how they undertake their roles. Having a simple approach and system for considering 'risk' is key to supporting that duty.

9. Legal implications

- 9.1 There are no specific legal implications arising from this report and approach. Again however, having due regard for our statutory responsibilities and any threats or challenges to meeting those is a key aspect of risk management.

10. Customer and Digital implications

- 10.1 The risk management approach and system are clearly for internal use and therefore there are no specific implications.

11. Communications activity

- 11.1 Internal communications are being undertaken as the new approach and system are rolled-out.

12. Consultations

- 12.1 SMT were consulted regarding the general approach at its outset with Business Units involved over the last few months as the system was developed and piloted. Positive feedback was received across all services.

13. The Corporate Plan and the Council's Performance Management Framework

- 13.1 Effective risk management is a fundamental building block of any organisation's strategic planning and service delivery. The consideration of concerns, issues and areas of focus will be embedded in business planning and performance management processes.

14. Promoting equality, diversity, and social inclusion

- 14.1 Again, whilst there are no specific or direct implications for promoting equality, diversity and social inclusion arising from this report, the extent to which there may be any strategic or operational concerns or issues that arise in this area would be captured and managed through the new risk approach.

15. Risk management issues

15.1 Somewhat obviously the new framework and approach will support all risk management considerations moving forward. As such there are no specific risk considerations to raise.

16. List of appendices

16.1 Appendix 1 – Risk Management Policy Statement
Appendix 2 – Risk Management Framework

17. Background papers

17.1 None.

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Barnsley Council Risk Management Policy and Framework

Policy Statement

Barnsley Council recognises that it has a responsibility to manage the risks it faces effectively in order to:

- Ensure that statutory obligations and policy objectives are met
- Prioritise areas for improvement in service provision and encourage meeting or exceeding customer and stakeholder expectations
- Safeguard its employees, clients and service users, Members and all other stakeholders to whom the Council has a duty of care
- Protect its property and assets including buildings, equipment, vehicles, information and all other assets and resources
- Identify and manage potential liabilities
- Maintain effective control of public funds and the efficient deployment and use of resources to achieve “Value for Money”
- Preserve and promote the reputation of the Council
- Support the quality of the environment
- Engage effectively with its partner organisations and wider community
- Learn from previous threats, opportunities, successes and failures to inform the future management of risks

Risk management is an integral part of the Council’s corporate governance arrangements and has been built into the management processes as part of the Authority’s overall framework to deliver continuous improvement. All Members and Officers have a responsibility and a role to play in managing risk.

The Council will seek to achieve effective Risk Management by:

- Implementing a Risk Management Framework that is fit for purpose and which compliments the other governance processes of the Council
- Equipping all employees and Elected Members with the skills required to identify and assess risk and communicate this appropriately and effectively
- Acknowledging that increasingly risks are shared across partner organisations, which can increase the complexity of analysis and reporting, and, also that assurances regarding the level of risk may need to be sought from third parties as well as internal sources
- Annually reviewing the effectiveness of Risk Management and reporting the results as part of the Annual Governance Statement
- Considering on an on-going basis that the Councils approach remains in line with good practice, whilst reviewing the Policy and Framework formally every 2 years

Signed:

Councillor Sir Steve Houghton CBE
Leader of the Council

Sarah Norman
Chief Executive

Risk Management Framework 2021 - 2023

1. Introduction

Barnsley Council recognises the importance of the effective identification, evaluation and management of all key strategic and operational risks. Risk management is at the heart of good management practice and is a key part of the Council's corporate governance arrangements.

Our risk management arrangements are proactive and enable decisions and day-to-day management to be based on properly assessed risks with the aim of ensuring that the right actions are taken at the right time.

By implementing effective management of our risks, we will be in a stronger position to deliver:

- Improved Strategic Management – greater ability to deliver against objectives and targets within finite resources
- Improved Operational Management – reduction in interruptions to service delivery and/or in managerial time spent dealing with the consequences of a risk event having occurred
- Improved Financial Management – informed decision making and reduction in losses or claims against the Council, reduction in insurance premiums, and
- Improved Customer Services and Outcomes – minimal service disruption, increased levels of satisfaction and optimal service delivery.

This document outlines how Barnsley Council is taking on its responsibility to manage risks and opportunities as outlined in the Risk Management Policy, using a new positive and enabling approach. It sets out:

- What we mean by risk management?
- Why we need a Risk Management Framework – why is it important?
- An overview of the risk management process
- Delivery of the strategy
- An outline of the roles and responsibilities for members, senior officers and staff

2. Definitions of Risk – what do we mean by risk management?

Risk is the chance, possibility or concern of loss, damage, injury or inability to achieve objectives caused by an unwanted or uncertain action or event. Risk is an inevitable part of everyday business and cannot be eliminated – but it can be managed.

Risk management is a planned and systematic approach to the identification, evaluation and control of those risks, issues and concerns which can threaten the assets or financial and organisational wellbeing of the Council. Risk management is a key element in the Council's Governance Assurance Framework and is a key part of day-to-day business processes to deliver improvements.

3. Why is risk management important?

Effective and efficient risk management is critical to the success of any organisation. It is an important tool for senior management to ensure that the organisation's objectives are achieved, and its responsibilities discharged. How organisations deal with risk can have a major impact on the achievement of the key business goals and organisational objectives.

The Council recognises that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives and maximise the opportunities to achieve its vision.

Risk management is an integral part of the Council's corporate governance arrangements and has been built into the performance management processes of the Council, and forms part of the overall framework to deliver continuous improvement.

4. An Overview of the Risk Management Process

4.1 Context

A Corporate Peer Challenge of Barnsley Council in 2019 recommended that the corporate risk register should be reviewed to ensure that the risks within it truly reflected the key issues relating to the Council's business and future development.

The Peer Challenge presented an opportunity to consider the Council's approach to strategic risk management, but also to consider the wider process of risk identification and management across the Council.

4.2 Revised Risk Management System and Approach

A revised approach to risk management has been developed and approved by the Senior Management Team, which uses existing and familiar systems to employees in the Council (SharePoint and Power BI tools) to present the risk information in an easy to use dashboard.

The new system is user friendly, has easily accessible risk recording templates which are quick to complete and can easily be used on a variety of electronic devices. The process has a simpler RAG rating and assessment of risk, and a greater emphasis on the effective mitigation of actions to address the risk. The system is designed to be "self-service" for Risk Managers and their teams, enabling risks to be proactively owned, updated and managed by teams across the Council.

The new approach introduces the concept of 'concerns', 'issues' and areas of focus. The term 'risk' is therefore used generically to cover these three concepts

4.3 Risk Analysis – Identification, Description and Assessment of Risk

Unlike traditional risks systems which focus on the avoidance of failure with risks being prefaced with the description of "failure to..." the new risk management system has a

more positive enabling approach. The system focuses on an assessment of confidence, encouraging risk managers to focus on matters requiring attention, assurance and intervention; and to consider what actions are required and by when to mitigate the risk. Risk consideration is around:

- Are we satisfied that we are doing everything reasonable to influence and manage risk?
- What do we need to have in place to ensure we do all the right things in the right way?

To determine and identify risks, managers need to think about and capture areas of focus, issues and concerns in their area. These can be defined as follows:

- **Concerns** – something that is likely to happen in future – concern regarding the achievement of an objective, or the need to meet future requirements e.g. new legislation or maintaining/meeting specific service levels
- **Issues** – something that has gone “wrong” – live problems that need a specific response – e.g. arising from a complaint, enforcement action against the Council or a failure of a contractor
- **Areas of focus** – likely to be important strategic or operational objectives which need to remain in the focus of the management team – e.g. Glassworks Development as a strategic focus, or a new IT system as an operational focus

The system requires a narrative description of the risk. This may relate to something that has happened or something that may occur, it can be a local concern or can be linked to national influences, or a major activity, project or initiative that the team should have a focus on.

A narrative assessment of the risk helps to identify the main issues. For a **concern** (the forward look), considerations include:

- What is giving us a concern and why?
- Do we know when the concern may arise?
- What do we need to ensure we have in place that means we can address the concern?

For an **issue** (the response to something that has already happened), considerations include:

- What has gone wrong?
- What was the cause?
- What has not been complied with?
- Is there a missing control or is it a matter of non-compliance?
- Could this have been prevented, minimised with improved controls etc?

For an **area of focus** (the longer-term aspects of service delivery), considerations include:

- What assurances do we need regarding the project / initiative / objective that ensures its successful delivery?

- Are all the arrangements in place to provide the right oversight and timely information that would enable the necessary interventions and influence?

4.4 Risk Evaluation

All risks need to be evaluated to determine the relative severity or seriousness of the issue, concern or area of focus. This in turn aids management in determining the relative prioritisation of their risks and assists them to determine the necessary actions for each risk.

Traditionally risk evaluations are based on a matrix scoring system of likelihood (probability) and consequence (impact).

The revised approach has a more simplistic intuitive assessment process reflecting what is happening now:

- Is the impact of the risk actual or potential?
- What is the current status of the risk actual or potential?
- What is the response rating of the risk, i.e. how urgently do we need to act – High priority (action required within 1-3 months), Medium priority (action required within 3-6 months) or Low priority (monitoring of the risk up to a 12 month timeframe)

4.5 Risk Management and Mitigation and Governance Domains

For each risk, managers need to consider the actions required to understand, manage and respond to the risk.

- For an **issue**, actions will be largely corrective based on a “diagnosis” of what went wrong, to enable a focus on specific, owned and tracked actions to respond.
- For a **concern**, the actions are likely to revolve around getting assurances about the necessary arrangements in place to enable the future matter to be dealt with effectively, and therefore avoiding any issues, where something goes wrong.
- Similarly, with **areas of focus**, the actions are likely to focus on obtaining assurances to enable the appropriate oversight and influence.

The new system enables managers to identify up to 8 actions for each risk.

Each action includes a description of what is to be done, by whom (the Action Owner) and by when (completion or review dates). A simplistic progress update (red, amber or green) is included, which provides a visual guide to assist management in determining the relative prioritisation and attention to be afforded to the action.

Each action should be linked to a governance domain (this may be completed by the Risk Manager) or can be updated by the Corporate Governance and Assurance Manager.

These governance domains link the action to the wider governance assurance and control framework that all Business Units/Management Teams are required to comply with. In effect the domains provide a simple accountability/compliance framework which identifies the underpinning infrastructure of governance and control used across the

Council (and indeed all organisations) to manage its finances, people, assets, information, partnerships, performance, contracts, projects, legislative responsibilities, decision making, conduct and resilience.

Linking the risk actions to a governance domain explicitly recognises that everything that happens in an organisation is achieved through these broad themes or domains, and that the management, effectiveness and compliance with these domains is a key aspect of good governance within an organisation. Every manager and ultimately every employee have a responsibility to comply with and ensure good governance in their work and area of the organisation.

Each governance domain has a strategic level owner the “Domain Lead” (someone accountable to an Executive Director for the organisational wide management of that area) e.g. the Service Director - Finance is responsible for financial management and has oversight and responsibility for regulation and compliance requirements in that area. Analysis of actions by governance domain will be shared with the Domain Leads; and will form an intrinsic part of the Council’s review of governance, in order that trends, issues and areas requiring corporate input or support can be identified.

This new approach of linking risk management with governance domains will enable over time a simpler and more powerful governance assurance process to develop and be established. In turn this will have a major impact on the quality and ease of completion of the annual governance review and the preparation of the Annual Governance Statement.

4.6 Risk Assurance and Review

The Senior Management Team (SMT) will receive quarterly reports on strategic risks as part of their Quarterly Performance Review meetings. These will be prepared by the Corporate Governance and Assurance Manager. There will be dedicated time for consideration, debate and challenge on the risks at these Quarterly Performance Meetings.

The Audit and Governance Committee will receive regular updates on the strategic risks and will have the opportunity to drill into specific risks with individual Executive Directors invited to attend and update the Committee to discuss risks in their area.

Cabinet will receive six monthly reports on strategic risks. The named Lead Member for Risk Management is the Cabinet Spokesperson for Core Services.

Directorate Management Teams and Business Units will have their own risk registers. The minimum review requirement recommended for these is on a quarterly basis at management meetings.

Heads of Service will have their own risk registers, the recommended review period for these being monthly.

5 Delivery of the Framework

A good understanding of risk management and a strong commitment from both Members and Officers exists within the Council which will support the delivery of the new risk

management approach. Roles and responsibilities to support the delivery of the framework are outlined in Appendix A.

The Corporate Governance and Assurance Manager will work closely with Business Units, Directorates and Boards/Project Teams to embed the new risk management processes into their teams.

An Implementation/Roll Out Plan for the new risk system will be adopted with regular reviews of progress during 2021/22.

Guidance materials to support managers to adopt the new risk management approach and supporting system will be provided to include step by step user guides/notes to support the completion of the risk management templates, training packages for staff to complete on POD, and the Risk Management Policy Statement.

Continual development and regular review of strategic and operational risk registers will be undertaken by managers with support and input from the Corporate Governance and Assurance Manager as necessary.

Risk Management Roles and Responsibilities

In order to ensure that the Council's risk management arrangements are implemented and delivered successfully, it is important that everyone within the organisation understands how their responsibilities fit into the risk management framework.

The table below summarise the roles and responsibilities of various groups and individuals across the Council in relation to the delivery, support and assurance necessary to establish and embed an effective risk management system

The following groups and/or individuals will assist in the delivery of effective risk management:

Group or Individual	Roles and Responsibilities
Council	<ul style="list-style-type: none"> • Ensure that an effective system of risk management is in place
Elected Members (individually or collectively)	<ul style="list-style-type: none"> • Understand the importance of risk management and its benefits, which includes attending relevant training • Contribute to the identification of strategic risks • Consider the risk management implications contained within Cabinet and other reports as part of the Council's decision-making process
Cabinet	<ul style="list-style-type: none"> • Promote and demonstrate the behaviours and values that support well informed and considered risk taking • Ensure open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
Chief Executive	<ul style="list-style-type: none"> • Ensure effective risk management arrangements are in place and to lead the embedding of the risk management culture within the Council
Senior Management Team (SMT)	<ul style="list-style-type: none"> • Ensure the Council manages risk effectively through the Risk Management Policy • Actively consider, own and manage the key strategic risks of the Council • Keep the Risk Management Framework and Policy under regular review • Promote and demonstrate the behaviours and values that support well informed and considered risk taking, while maintaining accountability • Encourage open and frank conversations about risks, and ensure appropriate reporting and escalation of risks as required
Directorate Management Teams (DMT)	<ul style="list-style-type: none"> • Responsible for the effective and robust management of risk within the Directorate • Escalate risks to the Senior Management Team as appropriate • Maintain Directorate Risk Registers and update risks at least quarterly (or more frequently if required)
Business Units (BU)	<ul style="list-style-type: none"> • Responsible for the effective and robust management of risk within the Business Units • Escalate risks to the Directorate Management Team as appropriate • Maintain Business Unit Risk Registers and update risks monthly

Group or Individual	Roles and Responsibilities
Service Managers/Project Managers/Partnership Lead Officers	<ul style="list-style-type: none"> • Manage risks effectively in their service area, project or partnership for which they are responsible
Boards	<ul style="list-style-type: none"> • Responsible for the effective and robust management of risks within the Board • Escalate risks to the relevant Executive Director / Senior Management Team as appropriate • Maintain a Board Risk Register and update risks at least quarterly
All Employees	<ul style="list-style-type: none"> • Maintain an understanding of risk management and its benefits, which includes attending relevant training • Identify new or changing risks in their job and feed these to their line manager

The risk management framework is supported by:

Head of Internal Audit, Anti-Fraud and Assurance	<ul style="list-style-type: none"> • Responsible for the overall monitoring of strategic risks across the Council • Responsible for ensuring that risk management resources are appropriate • Provides independent assurance and an annual opinion on the adequacy and effectiveness of the Councils risk management, assurance and control framework
Corporate Governance and Assurance Manager	<ul style="list-style-type: none"> • Develop and maintain the Risk Management Framework and Policy, management guidance and support resources • Facilitate the maintenance of an up to date Strategic Risk Register, and provide reports on strategic risks to the Senior Management Team • Facilitate the risk management process within the Council. • Assist key individuals with implementing and embedding risks across all Council areas, provide guidance, training and support as required

The risk management framework is assured by:

Audit and Governance Committee	<ul style="list-style-type: none"> • Provide assurances to the Council on the adequacy and effectiveness of the risk management framework ensuring it is fit for purpose • Receive regular reports on the Council's risk management arrangements and the management of key risks
Internal Audit	<ul style="list-style-type: none"> • Assess the effectiveness of the risk management framework and the control environment in mitigating risk • Periodically provide an independent view of the robustness of the risk management framework and compliance with it • Review and comment on the content and relevance of Risk Registers in supporting the delivery of Business Plan objectives when undertaking risk-based audits