MONMOUTHSHIRE COUNTY COUNCIL STRATEGIC RISK MANAGEMENT POLICY

1. INTRODUCTION

Risk Management is the planned and systematic process by which key risks are identified, evaluated and managed in order to maximise benefits and minimise potentially negative consequences to the Council and its partners.

The Council is committed to the effective management of risk. As a large public sector organisation, it is exposed to a wide range of risks and threats in delivering key services to communities. The council also needs to identify and manage risks in deciding on taking opportunities.

The Council recognises it has a responsibility to identify, evaluate and manage those risks that threaten:

- the achievement of its defined well-being objectives and delivery of services to the community
- the health and safety of its service users, employees, partners and the public at large

This document sets out the Council's policy and approach to strategic risk management. This is summarised in the risk management framework diagram below. It is important that this policy is implemented to ensure that risk management is effective and consistent across the organisation. Risk management procedures, definitions and tools are described in the Council's Risk Management Guidance Notes, available on the Hub. This should be utilised in conjunction with the risk arrangements set out in section 2.3.

Source: UK Government, the Orange book Management of Risk – Principles and Concepts

This Risk Management Policy and the associated Risk Management Guidance Notes have been agreed by the Strategic Leadership Team.

2. GOVERNANCE & LEADERSHIP OF RISK MANAGEMENT

2.1 Definition of strategic risk

Risk is the effect of uncertainty on objectives.

Risk Management is the co-ordinated activities designed and operated to manage risk and exercise internal control within an organisation.

2.2 Legislation

The Accounts and Audit (Wales) Regulations 2014 state the council must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes—
(a)arrangements for the management of risk, and
(b)adequate and effective financial management.[1]

The regulation states that risk management is a corporate responsibility which must be embedded in the processes of the council as a whole.

Risk management is one of the core areas of activity identified in the Well-being of Future Generations Act that the council particularly needs to focus on. Consideration will need to be given to the requirements of the Act and the five ways of working when assessing risks to support their management.

2.3 Purpose of risk Management

Within the Council, the purpose of risk management is to:

- preserve and protect the Council's assets, reputation and staff
- promote corporate governance and aid good management in controlling and managing risks
- support successful delivery of strategic aims and well-being objectives internally and when working with partners
- improve business performance and better anticipate risks in delivering improvements
- avoid unnecessary liabilities, costs and failures
- shape procedures and responsibilities for implementation
- ensure that the amount of residual risk borne after mitigating actions are put in place is consistent with the organisation's risk appetite

2.3 Integration of risk management

Risk management is an integral part of the Council's activities to support decision-making in achieving objectives. To ensure that the risk management process is effective, owned by managers, staff, elected members and partners, the Council seeks to:

- integrate risk management into the Council's culture and performance management processes
- identify, evaluate and proactively manage risk in a way which is consistent with the council's risk appetite and tolerances
- anticipate and respond to change
- reduce the cost of risk
- prevent injury, damage and losses
- promote awareness of risk management to all staff who deliver the Council's services.

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[1] https://www.legislation.gov.uk/wsi/2014/3362/regulation/5/made

The strategic risk assessment is one part of the Council's risk management arrangements. Strategic risks are also managed through a variety of other processes and procedures. The following lists the corporate risk managements arrangements that the council has in place through which risks are identified and managed and are integrated with strategic risk management policy.

Risk management area and lead officer	Description of risk management arrangements
Health and Safety, Corporate Health and Safety Manager	Ensuring the health, safety and welfare of employees and others, such as contractors, visitors and members of the public who may be affected by the Council's activities is a key priority for the organisation. Each directorate has a nominated health and safety lead responsible for ensuring that all activities within their directorate are conducted safely, in accordance with legislative requirements and the Council's health and safety risk management policies. Responsibility also sits with the corporate health and safety working group that meets quarterly. This group has an action plan and terms of reference.
Emergency Planning, Emergency Planning Manager	The Council's aim and intention is to anticipate and manage risks pro-actively rather than deal with the consequences of actual occurrences. Some risks involving key services are best managed through the Monmouthshire County Council Emergency Management Plan; there is a live risk register that is reviewed regularly that captures risks that may require an urgent response. The emergency planning manager is also responsible for ensuring services have Business Continuity Plans or procedures in place outlining arrangements to mitigate the impact and consequences of any risks likely to have a serious or major impact on service delivery or on communities in general.
Council wide insurance, Principal Insurances and Risk Management Officer	Insurance is a key aspect in risk management processes. Some risks are best managed through involving another party in bearing or sharing the risk, i.e. insurance. Ensuring an effective insurance function of risk management is a key priority and legal requirement for the authority. This involves analysing the types of insurance required to cover off the whole authority using in-house data to establish values of coverage required. This includes but is not limited to property, motor and liability. A programme of risk reviews at random property sites are also undertaken for insurance purposes.
Finance, Head of Finance	The council has set its Financial Procedure Rules which must be adhered to within all council activities. Section 4 of the Financial Procedure Rules document outlines the responsibilities of the Head of Finance in relation to risk management. In relation to the strategic risks and whole authority risks listed in the Strategic Risk Register, the Head of Finance is responsible for ensuring that any financial implications are fed into the budget planning process.
Internal Audit, Internal Audit Manager	Internal audit have a responsibility to oversee the risk management process, and may conduct an audit into the effectiveness of the process to ensure the arrangements in place are robust. There is an internal audit plan in place which is driven by risk identification, and by nature, is a risk based approach, identifying possible weaknesses, or risks, within the organisation and reviewing these. These risks, along with possible ways of managing them, would be made aware to the

	relevant chief officer. Internal audit are also responsible for the anti fraud, corruption and bribery policy.
Information Governance & Cyber Security, Head of Information Security & Technology	The council is extremely aware of the importance of cyber security; we implement a number of measures to ensure the protection and safeguarding of our information, technology and systems.

2.3.1   Partnerships

For statutory and other key partnerships, risk management arrangements must be in place. The purpose of this is to identify any governance, financial, legal or resource obligations and also, commitments and liabilities that the Council may face in connection with partnerships in the coming year. Issues around legal liabilities need to be clearly understood, documented and agreed by all parties within the partnership. Assurances need to be obtained that partnerships have adequate risk management controls and corporate governance processes in place. Detailed advice needs to be sought where needed. Further detail on the requirements is set out in the detailed partnership guidance that needs to be applied, aligned to the strategic risk management policy.

Any strategic risks to the council as a result of partnership risk assessments should be identified in line with this policy.

2.3.2   External risk management arrangements

The Council also has to take into account risks identified from both a UK National and Wales Regional perspective. The UK government undertake a National Security Risk Assessment which assesses the most serious risks facing the UK, including threats to health, society, critical infrastructure and economy. A Pan Wales version of the National Risk Register is also produced. The responsibility for managing these risks at a local level sits with local resilience forums; for Monmouthshire, this responsibility sits with the Gwent Local Resilience Forum (GLRF), of which the council is a member.

The GLRF also publishes a Community Risk Register, which is reviewed annually. This assesses the likelihood and impacts of a range of hazards that have the potential to cause significant disruption to the residents, communities, and environment of Gwent. Risks that may result in significant impact in Monmouthshire will be recorded on the Strategic Risk Register, where appropriate. The GLRF Community Risk Register can be found here.

2.4   Roles and responsibilities

Everyone in the Council has some responsibility for risk management. The Council seeks to ensure that risk management flows through the organisation, from elected members to individual teams and employees. All employees and councillors are responsible for ensuring there are effective levels of internal control and risk management in order for the Council's objectives to be achieved. The 'three lines model'[2] helps to delegate and coordinate risk management roles and responsibilities within and across the Council. The model is a broad structure that supports the risk management framework.

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[2] HM Government Orange book, Management of Risk & principles.

- Under the 'first line role', management have primary ownership, responsibility and accountability for identifying, assessing and managing risks.
- The 'second line role' consists of functions and activities that monitor and facilitate the implementation and reporting of risk management in the Council.
- Internal audit and the performance management team form the organisation's "third line role".

Informing this are a range of other sources of external assurances.

GOVERNANCE AND SCRUTINY COMMITTEES

SENIOR MANAGEMENT

1st Line

- identify, assess, own and manage risks
- identify, implement and maintain effective control measures
- supervise execution and monitor adherence
- implement corrective actions to address deficiencies

Management Control / Internal Control Measures

Functions that oversee risk management

- set the boundaries for delivery through the definition of policies, procedures and guidance
- assist management in developing controls in line with good practice
- monitor compliance and effectiveness
- agree any derogation from defined requirements
- identify and alert senior management, and where appropriate, governing bodies, to emerging issues and changing risk scanrios

2nd Line

3rd Line

- Provide an objective evaluation of the adequacy and effectiveness of the framework of governance, risk management and control
- provide proactive evaluation of controls proposed by management
- advise on potential control strategies and the design of controls

Internal Audit / Performance Management Team

Audit Wales

Inspection bodies e.g. Care Inspectorate Wales, Estyn

Independence from risk management

Responsibility for risk management

2.4.1 Responsibilities for Managing Risks

Governance Board/ Officer role	Description of role and responsibilities
Cabinet Members	Individual Cabinet Members are responsible for: • Monitoring and review of risks and controls in place associated with the activities contained within their portfolio; • Ensuring Cabinet Member decisions have fully considered and consulted on the opportunities and risks; • Promoting and ensuring risk management is embedded into the activities contained within their portfolio.
Chief Officers	Chief Officers are responsible for: • ensuring that management of strategic risks within their areas is undertaken in a pro-active and effective manner in accordance with the Risk Management Policy and Guidance; • satisfying themselves that the content of the Strategic Risk Register for their areas of responsibility are an accurate reflection of current circumstances.
Heads of Service	Heads of Service are responsible for the strategic risks within their scope of responsibility and must: • ensure that their units' risks are reflected in their Service Business Plans and associated plans; • review entries in the Risk Register to ensure they are correct and up to date; • regularly challenge progress of mitigating actions and their impact on risks in the Risk Register; • ensure their managers take a pro-active approach to risk management; • advise their managers of any significant changes likely to impact on the risks and/or the mitigating actions; • ensure all employees within their units understand and comply with the appropriate risk management policies and procedures, and receive training as required.

	Heads of Service also have specific responsibilities for managing day to day risks as laid down in Section 4 of the Financial Procedure Rules.
Chief Officer People, Performance and Partnerships	In addition to specific responsibilities as a Chief Officer, the Chief Officer for People, Performance and Partnerships is also responsible for: • ensuring that the Risk Register is compiled and updated in a timely manner and is fit for purpose; • ensuring regular consultation with key stakeholders and partners on risk issues in accordance with the partnership risk guidance
Service managers	Service managers have a responsibility to: • Ensure that all officers within their service area apply the risk management policy appropriately; • Ensure that all risks to their service area are captured within their service business plan.
All officers	All officers have a responsibility to: • Manage risk effectively in their role, in line with the council's risk management policy; • Report any identified risks to their line manager.

2.4.2 Collective responsibilities for managing risk

Group	Description of role and responsibilities
Cabinet	Cabinet has a responsibility to review the strategic risk register six-monthly to ensure that the risks identified are accurate and assure themselves that the controls in place to mitigate risks are appropriate.
Strategic Leadership Team	SLT have a responsibility to: • Collectively review the strategic risk register six-monthly to verify its accuracy & proportionality of the risks logged and mitigating actions proposed. • Consider and approve the Risk Management Policy and proposing subsequent changes. • considering plans/proposals where a risk assessment may expose un-acceptable risks. • ensuring recommendations of the committees in relation to risks are implemented. • considering recommendations from internal and external audit bodies.
Directorate Management Teams	DMTs have a responsibility to: • collectively review their directorate risk register quarterly to ensure that the risks identified are accurate and assure themselves that the controls in place to mitigate risks are appropriate. • Collectively review whether any risks identified in their directorate risk register needs to be escalated to the strategic risk register.

2.5 Responsibilities for overseeing the risk management process

The council seeks to ensure that a robust risk management process is in place. It is the responsibility of both officers and members to ensure that appropriate risk management controls are embedded.

Governance Board/ Officer role	Description of role and responsibilities
Cabinet	In addition to their responsibility to review the strategic risk register six-monthly, Cabinet has a responsibility to approve the Risk Management Policy and procedures including the setting and agreement of the Risk Appetite for the Council.
Governance and Audit Committee	Governance and Audit Committee has a responsibility to: • ensure that a robust risk management framework is in place, in line with its remit to provide independent assurance of the effectiveness of the authority's financial, performance and corporate governance arrangements; • Review the effectiveness of the risk management process six-monthly
Performance and Overview Scrutiny Committee	Performance and Overview Scrutiny Committee has a responsibility to: • Ensure that strategic risks have been appropriately identified and are being managed proportionately; • Review the Strategic Risk Register six-monthly; • Use the Strategic Risk Register to inform the committee's forward work programme.
Internal audit	Internal audit has a responsibility to: • Assess the adequacy of the mechanisms for identifying, mitigating and reporting key risks; • Provide assurance to officers and members on the effectiveness of controls; • Create an audit plan that is aligned with the key risks facing the council.
Performance and Data Insight Manager	The Performance and Data Insight Manager has a responsibility to: • Ensure that the risk register is updated in a timely manner and that it is fit for scrutiny; • Self-assess the risk management process biannually.

3.   A RISK MANAGEMENT APPROACH

The risk management approach consists of:

• risk identification and assessment to determine and prioritise how risks should be managed;
• risk response (treatment) options that support achievement of intended outcomes and manage risks
• risk monitoring; and timely and accurate reporting.
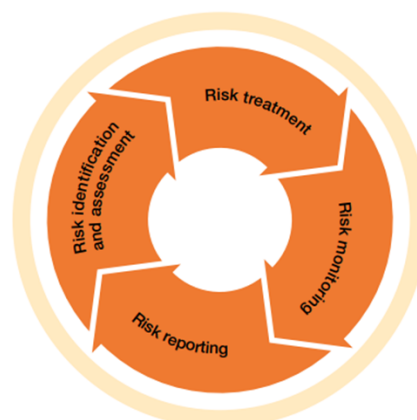
3.1 Identifying Strategic risks.

Risk identification aims to produce an integrated and holistic view of risks. Risk identification can be supported by identifying different categories of risk (see guidance).
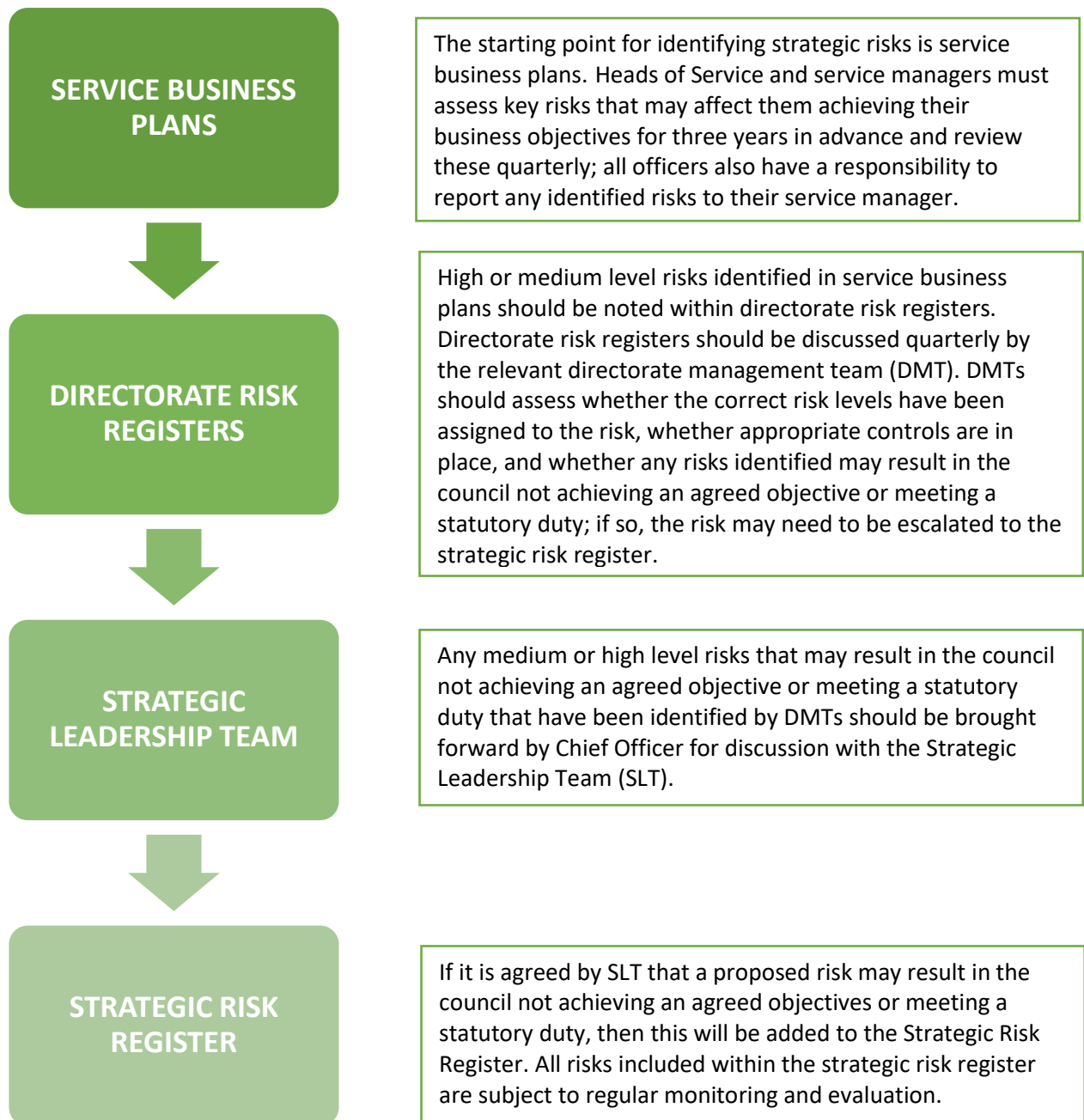
Strategic risks impact on the ability of the Council to achieve its strategic objectives. For example these risks could be; Political; Economic; Social; Technological; Legislative; Environmental

Operational risks impact on the resources required to deliver services and meet operational objectives: People; Physical assets, Finance; Data and information; legislative or regulatory; Suppliers or Third party. Some of the integrated arrangements to manage these are set out in section 2.3. These may still pose a risk to the councils ability to achieves its objectives and need to be identified as a strategic risk.

When identifying risks, it is important to consider both current risks that require immediate treatment, but also risks that may become more prominent in the future. Horizon scanning is used as an overall term for analysing the future: considering how emerging trends and developments might potentially affect current policy and practice. This could help identify potential threats, risks, emerging issues and opportunities. This helps to take a longer-term strategic approach.

The council produces a Risk Radar Report on an annual basis, outlining the biggest risks that Monmouthshire may face over coming years. This report draws on national and global emerging risks identified in a range of horizon scanning reports, most prominently the World Economic Forum (WEF) global risks report, which provides an annual assessment of the most significant global risks that the world may face over the next decade, and the Welsh Government's Future Trends Report, which focuses on the intergenerational challenges that Wales will need to respond to, and the areas it can shape for a more sustainable future. Reports such as these can help inform risk management by highlighting the key uncertainties and challenges that may affect our organisation's objectives and operations. Consideration must be given to the annual Risk Radar Report when identifying strategic risks.

The process for identifying strategic risks for inclusion on the Council's strategic risk register is set out below:

SERVICE BUSINESS PLANS	The starting point for identifying strategic risks is service business plans. Heads of Service and service managers must assess key risks that may affect them achieving their business objectives for three years in advance and review these quarterly; all officers also have a responsibility to report any identified risks to their service manager.
DIRECTORATE RISK REGISTERS	High or medium level risks identified in service business plans should be noted within directorate risk registers. Directorate risk registers should be discussed quarterly by the relevant directorate management team (DMT). DMTs should assess whether the correct risk levels have been assigned to the risk, whether appropriate controls are in place, and whether any risks identified may result in the council not achieving an agreed objective or meeting a statutory duty; if so, the risk may need to be escalated to the strategic risk register.
STRATEGIC LEADERSHIP TEAM	Any medium or high level risks that may result in the council not achieving an agreed objective or meeting a statutory duty that have been identified by DMTs should be brought forward by Chief Officer for discussion with the Strategic Leadership Team (SLT).
STRATEGIC RISK REGISTER	If it is agreed by SLT that a proposed risk may result in the council not achieving an agreed objectives or meeting a statutory duty, then this will be added to the Strategic Risk Register. All risks included within the strategic risk register are subject to regular monitoring and evaluation.

Strategic risks that are no longer considered high or medium level risks will be de-escalated from the strategic risk register and managed within relevant directorate risk registers or service business plans.

3.2   Assessment of risks

A 'traffic light' system is used for assessment of risks and may be defined as follows:

High risk **(Score of 12-16)**	The risk is **highly likely** to occur and the impact will be major. Management action/control evaluation and improvement is required coupled with continued pro-active monitoring
Medium risk **(Score of 6-9)**	The risk is **unlikely** to result as a major issue, however, if it did the impact would be **significant or serious**. This risk is relatively less significant than a High risk however it needs to be closely monitored with timely management action/controls to ensure it does not escalate.
Low risk **(Score of 1-4)**	The risk is **very unlikely** to occur and the impact will be **minor or moderate** at worst. Risk will be managed by seeking control improvements where practical and / or monitoring and reviewing at regular intervals

The above is derived from a standard risk matrix. See the Risk Management Guidance for more information on assessing risk levels.

3.3   Risk tolerance & Risk appetite

3.3.1   Risk appetite

There will be occasions when the Council may be willing to accept a degree of risk in order for a benefit to be gained, for example when introducing new opportunities or adopting innovative approaches. In these circumstances, the council will act in accordance with its risk appetite. Risk appetite can be defined as "the amount of risk that an organisation is willing to seek or accept in the pursuit of its objectives."[3]

In general, these are assessed risks that may result in exposure to the following:

- adverse effect on the Council's reputation and/or performance
- censure or a fine by regulatory/statutory bodies
- significant financial loss or impact on assets

Where circumstances involve exposure to such risks, they must be assessed in line with the Council's risk appetite statement, which can be found on the Hub. Individual project proposals and business plans must contain an assessment of likely risks and consider the risk tolerance levels.

Any innovation or opportunity that presents medium or high risks must be closely examined, the risks clearly identified, analysed, documented and as appropriate, consulted on.

3.3.2 Risk tolerance

Whilst risk appetite sets out how much the risk council is willing to pursue or accept in order for a benefit to be gained, risk tolerance is in relation to what the council is willing to deal with. In other words, risk appetite is about taking risks, whereas risk tolerance is about controlling risks. It can be

[3]Institute of Risk Management, Risk Appetite & Tolerance Guidance Paper
64355_riskapp_a4_web.pdf (theirm.org)

defined as "the boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its objectives."[4]

There will be some risks that the council is not willing to tolerate. In general, these are assessed risks that may result in exposure to the following:

- physical or other harm to any person
- non-compliance with legislation and regulations
- non-compliance with the Council's policies, rules and procedures, etc.
- major financial loss or damage to/loss of assets

Where there is potential for any exposure to the above, the matter must be referred to the Strategic Leadership Team by the relevant Chief Officer / Head of Service.

4.   Risk treatment

In considering how best to deal with risks classified under the 'traffic light' system, managers will need to take account of four fundamental ways of addressing risk. These are:

- **terminate**   deciding where possible not to continue or proceed with activity in view of the level of risks involved

- **treat**   ensuring the effectiveness of existing controls and implementing new controls where considered necessary

- **transfer**   involving another party in bearing or sharing the risk (typically by the use of insurance)

- **tolerate**   applying to instances where a risk cannot be entirely or fully mitigated by the options listed above. In such cases, the residual risks, i.e. the element of remaining risks, will need to be accepted or accounted for

Consideration must be given to the best approach to be adopted along with any potential consequences of the choices made. Decisions should be noted in Service Business Plans and reflected in the Strategic Risk Register, where required. Further information on risk treatment can be found in the Risk Management Guidance, available on the Hub.

5.   Risk Monitoring

Risk monitoring and review is embedded as part of the authority's performance management framework. Ongoing monitoring aims to support an understanding of whether and how the risk profile of the Council is changing and the extent to which mitigating actions are managing risks as planned. The key mechanisms for monitoring and reviewing risks are:

Service Business plans: In line with the strategic risk management policy and supporting guidance, Heads of Service and service managers must assess key risks that may affect them achieving their business objectives for three years in advance and review these quarterly as part of their Service Business Plans.

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[4] Institute of Risk Management, Risk Appetite & Tolerance Guidance Paper
64355_riskapp_a4_web.pdf (theirm.org)

Directorate risk register: Each directorate will manage and regularly review a directorate risk register, in line with the risk policy. This will contain any medium and high strategic risks that have been identified within service business plans. Directorate risk registers are reviewed quarterly by directorate management teams to ensure risks identified are appropriate and to assess progress of mitigating actions. Risks identified in directorate risk registers may be escalated to the strategic risk register, if necessary.

The Strategic Risk Register: The strategic risk management policy provides definitions of strategic risks and how the risk management process is integrated. Typically, high and medium strategic risks identified in directorate risk registers will also be recorded and monitored in the Strategic Risk Register, although this may vary depending on the nature of the risk identified. The Strategic risk register will identify:

- the nature of the risk, the consequences and impact with appropriate evidence
- the overall risk levels and scores (high & medium only) before controls (Gross risk)
- The current risk levels and scores with current controls and assessment of nature of risk
- The target risk score for the following two years – the targeted risk level assessed in line with the Council's risk appetite.
- planned/existing actions in place to mitigate the risks
- relevant timescales for actions and the officers responsible (the risk owner)
- update information – direction of travel in controlling the risk and evidence

The Risk Register will use a standard electronic format, will be regularly updated and available on the Council's intranet site.

6. Risk Reporting

Risk reporting is embedded as part of the authority's performance management framework. Risk reporting should provide a balanced assessment of the principal risks and the effectiveness of risk management actions. Reporting provides assurance on the effectiveness of the risk management approach, and highlights areas where intervention is required.

The starting point for reporting risk is within **service business plans**, where risks are regularly monitored and updated. Risks are also reported within **directorate risk registers** which are discussed by DMTs at least quarterly.

The **strategic risk register** is where strategic risks to the council are reported. This register is regularly presented to governance groups and committees within the organisation who provide an objective assessment of the effectiveness of the arrangements in place. The arrangements for reporting on strategic risks to the council is as follows:

Governance group/committee	Reporting arrangements
Cabinet	The strategic risk register is presented to Cabinet six-monthly to allow cabinet members to assure themselves that the risks identified are accurate and that the controls in place are appropriate.
Strategic Leadership Team	The strategic risk register is presented to SLT six-monthly. This provides SLT with an opportunity to verify the accuracy and proportionality of the risks, scores and mitigating actions logged.

Performance & Overview Scrutiny Committee	The strategic risk register is reported to this committee six-monthly. This is in line with the committee's responsibility to ensure that strategic risks have been appropriately identified and are being managed proportionately.
Governance and Audit Committee	An assessment of the effectiveness of risk management arrangements accompanied by a summary of the strategic risk register is presented to this committee six-monthly. This is in line with the committee's responsibility to ensure that a robust risk management framework is in place.

7.   Continual Improvement

The effectiveness of the council's strategic risk management policy and guidance will be subject to continuous review. An assessment of the effectiveness of the risk management framework will be undertaken six monthly and any subsequent action identified implemented. The strategic risk policy and guidance will be reviewed annually and adapted if required, to address any external and internal changes. Any material changes will need to be agreed with the Council's strategic leadership team and Cabinet.