TORBAY COUNCIL

Risk Management Policy

Contents

Version control

Date	Details	Updated by
29th November 2022	V1 Draft Policy SLT	Eve Bates
21st March 2023	V1 Policy Adopted (Cabinet)	Eve Bates
11th January 2024	V2 Refreshed post DAP Audit	Eve Bates
5th November 2024	V3 Revised Policy (DOM)	Eve Bates

Review and Adoption

This Risk Management Policy will be reviewed regularly to ensure that it meets the Council's requirements and is proportionate to the organisation's needs. Significant changes to the policy will be considered by the Chief Executive and Directors and an updated version shared with members of Audit Committee.

The approved Risk Management Policy and other documents which make up the Council's Risk Management Framework are available on the intranet. Managers are trained and reminded regularly about where to find this information.

Introduction

Torbay Council recognises that there are risks in everything we do and that we all have a responsibility to identify and manage these risks in a balanced, structured and cost-effective way.

The aim of this Policy is to communicate why risk management is important and to set out how we manage risk as an organisation. Its approval demonstrates the Council's intention and commitment that the Policy:

- Is fully supported by Councillors, the Chief Executive, Directors and the Divisional Directors who are accountable for effective risk management within the Council
- Explains the Council's underlying approach to risk management, setting out the roles and responsibilities of officers and councillors for the ongoing management of risk; and
- Forms part of the Council's overall internal control and governance arrangements.

This Policy forms part of the Council's Risk Management Framework which describes how we manage risk within Torbay Council.

What is risk?

Risk is the uncertainty that surrounds future events and outcomes. This uncertainty can be a positive opportunity or a negative threat. We define risk as "anything that poses a threat to the achievement of effective service delivery or a missed opportunity to improve things". It is measured in terms of the probability of an incident/event occurring and the impact if it does.

What is risk management?

Risk management describes the process and actions by which we address these issues. It is the systematic way of identifying and assessing risk along with how we plan and implement our responses.

If used effectively, risk management supports the Council to exploit potential opportunities and promote innovation, as well as safeguarding it against potential threats.

The Council accepts that risk will never be fully eliminated. The purpose of this Policy is to support the development of a consistent approach to determining, analysing and managing risk to ensure that all reasonable steps are taken to mitigate risk and that the level of risk accepted is balanced against the expected reward.

Risk management is about focusing attention on the true risks, those that happen more often and those with serious consequences and taking practical steps to protect the Council from risks – in most cases, it is about using common sense.

The Council's risk management objectives

The Council's overall risk management objectives are to:

- Embed risk management into the culture and decision making of the Council;

- Integrate risk management into key business processes to ensure there is a consistent approach and that the risks are managed effectively;

- Manage risk in accordance with best practice, whilst developing an approach tailored to meet the Council's own needs;

- Continually identify new and future risks that may impact on the Council;

- Work with partners, providers and contractors to develop awareness and a common understanding of the Council's expectations on risk management;

- Reduce the cost of risk and protect people, assets and the Council's reputation;

- Keep risk registers up to date, regularly maintained and challenged; and

- Ensure effective monitoring and management information is in place, reporting on the key risks facing the Council through our governance arrangements.

Why is risk management important?

The Council's risk management approach is designed to ensure that there is a continuous, open culture of talking about risk. The approach will ensure that:

- New and emerging risks continue to be identified promptly and assessed quickly;

- Significant risks are escalated appropriately;

- The focus is on risks that, because of their probability and impact, make them management priorities;

- Effective mitigating action is taken to manage identified risks; and

- Steps are taken to reduce risks to the lowest acceptable level within the resources available.

Risk management is a statutory requirement for the Council as defined in the Accounts and Audit Regulation 2015 as amended by the Accounts and Audit (Amendment) Regulations 2022. The Regulations state that the Council "must ensure that it has a sound system of internal control which:

    (a)   facilitates the effective exercise of its functions and the achievement of its aims and objectives;

    (b)   ensures that the financial and operational management of the authority is effective; and

    (c)   includes effective arrangements for the management of risk."

The Procurement Act also contains a specific regulation in relation to the modification of a contract in order to deal with a situation where a known risk (identified at the time the contract was

tendered) has materialised during the life of a contract. Whilst identifying risks is not an obligation under the Act, our ability to amend the contract to deal with a risk when it occurs, depending on whether or not it was identified at the time of the tender, is covered within the legislation.

However, embedding risk management throughout the Council is not just a legal requirement, it can contribute to:

- improved performance that is predicted rather than erratic;

- identifying opportunities where taking risks might benefit the Council;

- supporting innovation and creative thinking;

- enabling more effective management of change;

- protecting revenue and enhancing value for money;

- providing stakeholders with transparent information; and

- enhancing the Council's reputation and credibility.

Risks need to be managed rather than avoided. Making the most of opportunities to improve public services involves some amount of risk taking. Successful organisations take risks in an informed way; an unsuccessful organisation takes risks without understanding them.

Risk statement

The Council recognises that some managed risk-taking is essential if it is to meet its objectives. As such the Council will be:

> **'risk aware rather than risk averse, by embedding the identification and management of risk to support the achievement of Torbay Council's objectives'.**

This means we will:

- Embed risk management in the strategic planning and decision making of the organisation. Without it, members and officers cannot make effective decisions to meet their objectives and to safeguard the Council's assets.

- Ensure risk management is dynamic in order to capture and anticipate new risks and to assess the trade-off between risk and opportunity.

- Not mitigate all risks as this would not be cost effective. Instead, the Council will focus its attention on managing those risks that may significantly affect the achievement of its strategic and operational objectives.

- Ensure that management oversight is an ongoing cycle that will help to ensure that effective decisions are made, based on a sound understanding of the risks and opportunities we face.

- Report regularly to the Chief Executive, Directors and Audit Committee.

Priorities

The Council's priorities in relation to risk management are:

- To provide early warning on key and emerging matters to enable transparent, timely decision-making and intervention at appropriate levels.

- To raise awareness of the need for risk management by all those involved in the delivery of the Council's services whether by the Council or on our behalf.

- To take actions, where appropriate, to minimise the likelihood of risks occurring and/or reducing the severity of consequences should risks occur.

- To ensure that risks are monitored on an ongoing basis by senior management and reported regularly to the Audit Committee.

The management of our risks and registers

The Council holds all its strategic, corporate and service (or operational) risks (along with the mitigating actions taken to prevent or respond to them) on its Service Performance and Risk database - SPAR.net. The risk registers used by the Chief Executive, Directors, and Audit Committee are generated from the information held on SPAR.net.

The effective management of these risks is part of the day-to-day roles and responsibilities of all managers. To give risk management the appropriate profile, the identification and review of risks will be a standing item on the agenda of all Directors and Divisional Directors monthly one-to-one meetings.

Directors review and update the strategic and corporate risks continuously throughout the year and collectively meet to discuss them at least three times a year in line with the governance reporting arrangements.

In addition to the monthly discussions, Heads of Service are encouraged to have a collective conversation with their teams at least once a year. This is usually carried out as part of annual service planning. This is when teams will collectively review their current risks and mitigations with their teams to ensure they are a true reflection of the current position. These discussions will identify any new or emerging risks whilst setting inherent scores and mitigations. At this point, Heads of Service are also required to undertake a Fraud Risk Assessment with any specific fraud risks identified included on the appropriate Service Risk Register.

At any one time, the Council has numerous projects underway, many of which sit within a programme of activity. Project risks will be held and assessed by project officers either within their teams or within Project Boards, as appropriate. These risks will be recorded within the project documentation rather than held centrally on SPAR.net.

For each programme of activity, the overarching programme risk will be held on the Corporate Risk Register and will be recorded on SPAR.net. The management of these programme risks will be in line with our Risk Management Framework. Therefore, the mitigated risk score for each programme must reflect any key significant issues that the individual registers might be highlighting.

Where contracts are above the regulated procurement threshold, an initial set of contract risks are established as part of the tender process. A register of these risks is held in the contract project folder located within Commercial Services. The responsibility to update the registers sits with the Contract Managers within the awarding service. Our ability to amend contracts to deal with a risk when it occurs, depending on whether it was identified or not at the time of the tender is covered by procurement legislation.

Staff within Commercial Services have oversight of all contract registers and review them periodically. A service risk is established on SPAR.net for any contract registers that have an overarching mitigated score of 16 or above. This allows for greater oversight, as these risks are included in the regular service risk reviews as set out above.

Risk scoring

Risks are scored using a combination of the probability of the event occurring and the likely impact of the event occurring. A 5 x 5 score matrix is used as below:

Impact	Probability				
	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)
Critical (5)	5	10	15	20	25
Major (4)	4	8	12	16	20
Moderate (3)	3	6	9	12	15
Minor (2)	2	4	6	8	10
Insignificant (1)	1	2	3	4	5

Risk categories

The Council undertakes risk management with consideration given to the following risk categories:

Risk Category	Type Of Risk
Operational Delivery	Risks that impact service delivery.
Strategic Direction	Risks that impact on the delivery of our ambitions.
Financial	Risks that have a financial impact on the organisation (revenue, expenses, assets, liabilities, reserves).
Legal and Governance	Risks that impact compliance with legislative and regulatory requirements.

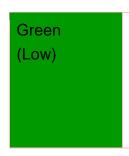|	
Reputation	Risks that impact the Council's reputation in the community, media or with Government
Health and Security	Risks that impact people's health or an incident that impacts the Council's operations.
Environmental Factors	Risks that impact the natural environment, including environmental performance.
Assets	Risks that impact the use of Council owned assets (including assets used by the community or those that support service provision).
Local Economy	Risks that impact economic growth and employment opportunities.

The Council's Impact and Probably Guide sets out the categories and definitions for each impact score. The category with the highest score is used to set the risk's impact score.

Risk appetite

The Chief Executive and Directors set the Council's risk appetite for each risk category.

Consideration is given to each of the risk categories to ascertain and agree the response levels they expect to see in place for the mitigated risk scores. The following response levels are in place:

Risk Colour and Level	Current Mitigated Risk Score	Actions
Purple (Very High)	25	Risks along with mitigations are added to SPAR.net, reviewed monthly to provide an update on the current position. They are discussed at monthly 1 to 1 meetings with Divisional Directors and Directors.
Red (High)	16-24	Risks along with mitigations are added to SPAR.net, reviewed monthly to provide an update on the current position. They are discussed at monthly 1 to 1 meetings with Divisional Directors and Directors.
Orange (Medium)	10-15	Risks along with mitigations are added to SPAR.net, reviewed at least quarterly to provide an update on the current position. They are monitored so if circumstances change the mitigations or scores can be amended. They are discussed at 1 to 1 meetings with Divisional Directors and Directors.
Yellow (Low)	1-9	

Green (Low)		Risks along with mitigations are added to SPAR.net and reviewed at least twice a year to provide an update on the current position. Discussions are held with Divisional Directors and Directors only when circumstances change for the worse.

The Chief Executive and Directors expect management effort to be put into all risks that have mitigated scores of 16 and above. These risks, along with the latest mitigations, notes and direction of travel movement information are discussed three times a year at Directors Overview Meetings and also shared with Audit Committee. Reports for Audit Committee are published online making the risk reports available in the public domain.

In addition to this, the Chief Executive and Directors collectively review any strategic or corporate risks that have been scored 16 or above and continue to carry this score for over a 6 month period. Considerable management of these risks takes place to understand why any mitigations might not be working and collectively they identify any new mitigations that could bring about an improved position.

Risk tolerance thresholds

Linked to our risk appetite, risk tolerance thresholds represent the levels of risk exposure which, when exceeded, trigger some form of response.

The Chief Executive and Directors will set target risk scores for all risks held on the Council's strategic and corporate risk registers. In addition, risks will be aligned to the Council's themes and priorities as set out in the Community and Corporate Plan and Council Business Plan so risk can be tracked against delivery.

The Council will manage all risks in accordance with its risk appetite with the aim of keeping the mitigated risk score within the agreed risk tolerance.

If risk scores begin to escalate, Divisional Directors will decide if the risk needs more senior level involvement especially when the current risk response isn't working. This could include recommending the escalation of the risk to either the Strategic or Corporate Risk Register so there is greater exposure and public oversight.

Ultimately, the Council will look to reduce the unmitigated risk scores if they are being well controlled and there is evidence in place that the current mitigated score has remained within the agreed tolerance for over a 12-month period or is falling.

This would result in a new unmitigated risk score being set and updates required less frequently in line with our framework timelines.

Role and Responsibilities

Chief Executive and Directors

▪ The Chief Executive and Directors are responsible for managing the Council's risks and ensuring the Risk Management Framework is implemented across the organisation. This includes overseeing improvements to the Risk Management Framework.

▪ Collectively they challenge and manage the risks on the Strategic and Corporate Risk Registers:

  o Identifying and agreeing new, emerging or missing risks and their mitigations,

  o Escalating and de-escalating risks on and off the strategic and corporate registers,

  o Examining the registers, high scoring risks and risks with non-moving risk scores

Director and Divisional Directors

▪ Ensuring risks (and the details for each) are discussed regularly with their managers and recorded in accordance with our Risk Management Policy and Framework.

▪ Assessing the latest scores and notes given to risks ensuring they are accurately reflecting the current situation.

▪ Ensuring all risk information, including sign off is kept up to date on the Council's SPAR.net system, as well as on any separate project and contract risk registers.

▪ Managing all the service, contract and programme risks within the services for which they are responsible.

▪ Recommending the addition of new risks onto the Strategic or Corporate Risk Registers, including any that need escalating from their service (operational) areas

Cabinet and Cabinet Members

▪ Responsible for considering risks to the organisation in all of their decision making.

▪ Discussing relevant risks included on the Strategic and Corporate Risk Registers in their one-to-one meetings with Directors and, with their Directors, ensuring that action is taken as required.

Audit Committee

▪ Providing assurance that the Council has an effective and proportionate Risk Management Framework in place. As part of this, the Committee keeps the Council's Strategic and Corporate Risk Registers under review, providing appropriate challenge as necessary.

Performance and Risk Manager

▪ Responsible for the development and implementation of the Council's Risk Management Framework across the organisation. This includes embedding a healthy culture of risk management with officers and councillors, supporting and challenging, as appropriate, with advice and training.

Heads of Service

- Responsible for identifying, managing, and reviewing service (operational) risks. They may also be responsible for corporate risks and mitigations that relate to their specific service area.

- Responsible for ensuring their services risk register reflects all known risks at that time (including risks that are identified within their fraud risk assessment).

- Responsible for ensuring that there is a good risk culture with their teams and staff follow the Risk Management Policy and Framework.

Accountable Risk Officer (terminology used in SPAR.net)

- Overall responsibility for ensuring the risk controls are in place, implemented, applied and managed. In signing off risk reviews, they take accountability for the content.

Risk Completion Officer (terminology used in SPAR.net)

- Responsible for updating and reviewing the risk and ensuring the mitigating actions are correct.

Senior Responsible Owner

- The Senior Responsible Owners of projects and programmes are responsible for establishing and reviewing the risk registers that will be used to track the delivery of the projects and programmes. They are also responsible for ensuring an overarching programme risk is included on the Corporate Risk Register which they update regularly reflecting the programme's current position.

Lead Officer and Contract Manager

- Contract risks are established on an individual contract-by-contract basis throughout the procurement and contract lifecycle. Initial risks will be identified at the time of the tender by the service's lead officer for the procurement. During the term of the contract, risks will be set and reviewed by the contract manager. Risks associated with procurement and contract management activities will be established and reviewed in conjunction with the relevant specialist within Commercial Services.