



Risk Management Policy 2013/14

For presentation to Governance & Audit Committee

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VERSION CONTROL

Version	Issue Date	Comments
1.00	19/09/2011	Author: David Tonks, reviewed by PAT and Interim senior Risk Manager. Amended to reflect project and programme risk and amended from pure ISO principles to more practical OGC best practice.
2.00	08/11/11	Issued to CMT and Cabinet Members
2.01	17/09/2012	DRAFT version subject to Governance & Audit Committee approval. Minor revisions to reflect changes in KCC governance structures.
3.00	25/09/12	Approved by Governance & Audit Committee
<u>3.01</u>	13/11/2013	DRAFT issued to CMT and Cabinet Members
3.02	18/12/2013	DRAFT issued to Governance & Audit Committee for approval

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Review Process:

This Risk Management Policy is mandatory and is subject to approval by the Governance and Audit Committee on behalf of the County Council. It will be reviewed annually by the Policy Owner to check efficient and effective operation – reporting any recommendations for change to the Corporate Management Team and Cabinet Members prior to agreement of revisions by the Governance and Audit Committee.

Risk Management Policy

1. Introduction

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- 1.1. As an organisation concerned with service provision and the social and economic development of the county it is essential that the risks to achieving our objectives are managed efficiently and effectively.
- 1.2. By implementing sound management of our risks and the threats and opportunities which flow from them we will be in a stronger position to deliver our business objectives, provide improved services to the community, and achieve better value for money.
- 1.3. Risk management will therefore be at the heart of our good management practice and our corporate governance arrangements. Our risk management arrangements will be proactive and will enable decisions to be based on properly assessed risks that balance risk and reward, ensuring that the right actions are taken at the right time.
- 1.4. Our risk management framework is based on the Office of Government Commerce publication *Management of Risk: Guidance for Practitioners* which provides a 'best practice' reference point for risk management. It is derived from the HM Treasury 'Orange Book' and is closely aligned and informed by the international standard for risk management ISO: 31000.

2. Mandate and commitment

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- 2.1. This policy is supported and endorsed by the Corporate Management Team and Cabinet Members who will ensure that:
 - the risk management objectives are aligned with the objectives and strategies of the Council;
 - the Council's culture and risk management policy are aligned;
 - the necessary resources are allocated to risk management; and
 - the framework for managing risk continues to remain appropriate.

3. Applicability

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- 3.1. This policy applies to the whole of Kent County Council's (KCC) core functions. Where KCC enters into partnerships the principles of risk management established by this policy and supporting guidance should be considered as best practice and applied where possible. We would also expect that our significant contractors have risk management arrangements at a similar level, and this should be established through procurement processes.

4. Objectives of risk management

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- 4.1. The aims of this policy are to set out how KCC will:
 - manage risks in line with its risk appetite, and thereby enable us to achieve our objectives more effectively;
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- apply recognised best practice to manage risk using a balanced, practical and effective approach (Office of Government Commerce publication *Management of Risk: Guidance for Practitioners*);
- embed effective risk management into the culture of the Council;
- integrate the identification and management of risk into policy and operational decisions;
- eliminate or reduce the impact, disruption and loss from current and emerging events, consequently reducing the cost of threat;
- harness risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes;
- anticipate and respond in a proactive and timely way to social, environmental and legislative changes and directives that may impact delivery of our objectives;
- harmonise risk management disciplines across all Council activities;
- benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge; and
- demonstrate increasing confidence in our ability to deal effectively with the uncertainty that internal and external pressures present.

- demonstrate a consistent approach to the management of risks when embarking on significant transformational activity.

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4.2. KCC shall achieve these aims by:

- ~~maintaining~~ the common links between business planning, performance and risk management;

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- integrating effective risk management practices into the Council's management, decision making and planning activities;

- exploiting available business technology to store and share risk information and providing the business with access to a repository of risk knowledge and learning;

- ~~maintaining~~ the frequency and effectiveness of monitoring of key risks in line with the council's internal control framework.

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- embedding risk management into the *Kent Manager* Standard;

- providing a mix of risk management training, awareness sessions and support for both Officers and Members of the County Council;

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- ensuring links between audit planning and risk management processes to enable assurance on the effectiveness of risk management across the council;

- subjecting KCC's risk framework and practice to annual review to determine the effectiveness of arrangements and level of risk maturity.

- ensuring risk management arrangements are embedded within the *Facing the Challenge* transformation agenda.

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- providing continuous challenge and quality assurance to all elements of the risk management process.

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- promoting a wide understanding of the Council's risk appetite and how it translates into tolerance levels within a service or programme setting.
- focusing on robust monitoring of mitigating actions to ensure that risks, once identified and assessed, are appropriately managed

4.3. The Corporate Risk Manager shall maintain a programme that sets out the delivery of this policy with delivery being assured by the Corporate Management Team and, where necessary, the Performance & Evaluation Board.

5. Principles of risk management

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The following principles of risk management have been adopted by KCC from the Office of Government Commerce's (OGC) recognised best practice guidance - *Management of Risk: Guidance for Practitioners*. The eight principles provide the basis on which KCC will manage risk and are informed by both corporate governance principles and the international standard for risk management *ISO: 31000*:

a) Aligns with objectives

Risk Management focuses on and around the achievement of the council's priorities and objectives together with those risks that may impact their successful achievement. In aligning risk management to its objectives the Council will determine the amount of risk it is able to withstand and the amount of risk it is prepared to tolerate.

b) Fits the context

The organisation is aware of the changing nature of the internal and external operating environment and the factors and events that may threaten or impact its stability.

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c) Engages stakeholders

The Council has determined, assessed and appropriately engaged all internal and external groups and individuals with a vested interest in its activities. It will understand how stakeholders may influence Council activities and how Council activities affect them.

d) Provides clear guidance

The Council encourages the effective management of its risk through provision of a 'user friendly' and transparent approach, that is suitably resourced and that is consistently applied throughout the organisation to best effect.

e) Informs decision making

The Council harnesses its risk management capability within its decision making and planning processes to objectively inform both the substance for the decision or plans and achievability of desired outcomes. Additionally, the Council will assess approval of its decisions and plans alongside its capacity and appetite for taking risk.

f) Facilitates continual improvement

The Council has the means to gather knowledge and learning from its risk management activities and applies it to continually refine and enhance capability and effectiveness.

g) Creates a supportive culture

Risk management is embedded within the Council's day to day activities with the full support and commitment of Corporate Management and Members. This support will align risk management to the Council's values and culture through encouraging openness, transparency and sharing of risks. It will develop a 'risk aware' culture that increases the value and benefit derived from its investment in risk management.

h) Achieves measurable value

Enabled by the previous seven principles the effective operation of the Council's risk management framework will need to demonstrate that it adds value to the organisation through helping the achievement of objectives and increase Council and stakeholder confidence and success.

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6. Context of risk management

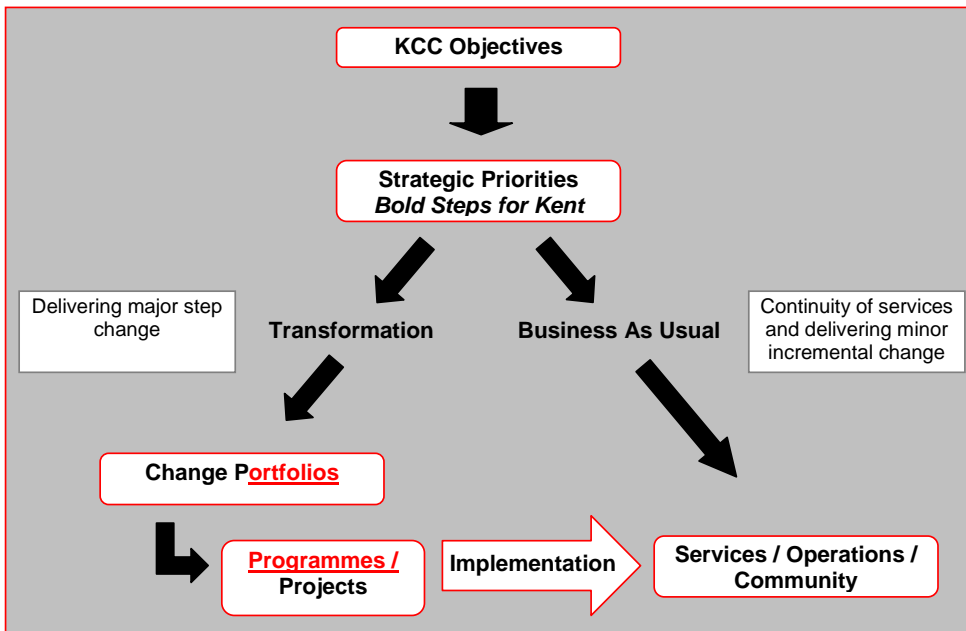
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- 6.1. To be effective, risk management must take account of the external and internal environment (or context) within which the Council seeks to achieve its objectives. We are a highly complex organisation delivering or commissioning multiple services. Our external environment is very dynamic and the changes occurring are not always subject to our control or influence. The external context can impact directly on our internal context, but other internal factors must also be understood, such as our policies and objectives, our governance, the Council's capability and capacity and our culture.
- 6.2. In an organisation as operationally complex and diverse as ours it is important to recognise and understand where risks emerge. There are two main elements to manage;
- 'Business as usual' - the day to day management of operations and services to agreed service levels and performance; and
 - Transformation – managing the development and implementation of key step changes that will deliver our objectives and priorities.
- 6.3. The operational delivery model below provides a visual demonstration of how these two management elements operate in the greater context of organisational direction. They also help to determine where risk occurs providing five risk perspectives;
- **Corporate** – where decisions are made that shape our overall mission, strategic priorities and ambitions.
 - **Strategic** - where we are exposed to risks that could affect our ability to successfully achieve our strategic priorities.
 - **Programme** – where we are exposed to risks that could affect our ability to successfully complete the desired transformational outcomes of the Council and the County
 - **Project** – where we are exposed to risks that could affect our ability to successfully deliver predefined outputs that enable us to deliver outcomes and realise benefits.
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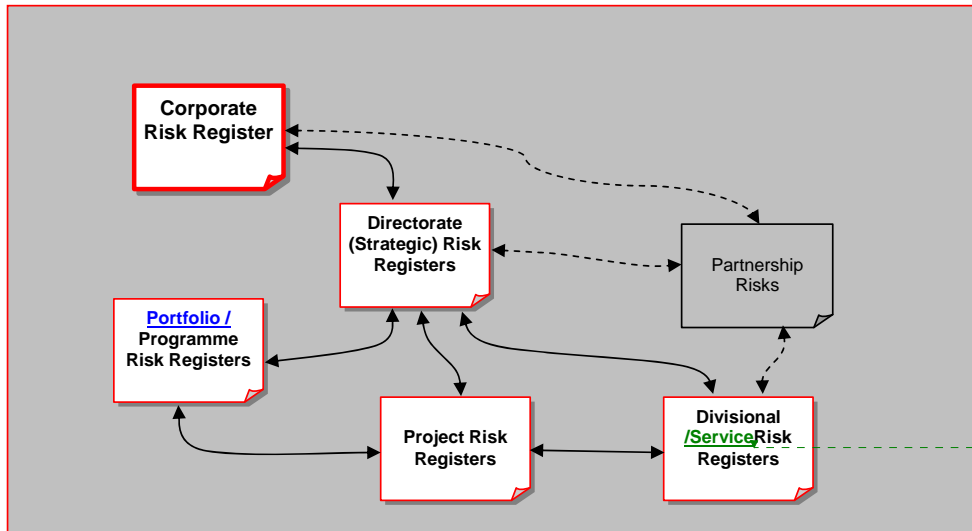
- **Operational / Service** – where we are exposed to risks that could affect our control and ability to successfully and continually deliver services to our customers.

Delivery Model



6.4 These five perspectives are inherent at different levels across the organisation. They have clear interdependencies for effective management of risk and provide a logical structure of risk registers that inform each other and allow risks to be communicated and if necessary escalated up and down and across the hierarchy. The Corporate Risk Register leads this hierarchy and will be a key document through which the Council maintains assurance around its most significant risk areas.

Risk Perspectives and Interdependencies



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7. Governance of risk management

- 7.1. Responsibility for risk management runs throughout the Council; everyone has a role to play. However, to ensure that risk management is successful, the roles and responsibilities of key groups and individuals must be clearly identified. The main individuals and groups and reporting structure for Risk Management are set out in Appendix 1 and the roles and responsibilities are set out in Appendix 2.
- 7.2. Other officer groups deal with related risk specialisms such as Health and Safety; Treasury; Emergency Resilience and Business Continuity; Insurance; Information Security etc. These groups are linked into the governance arrangements of the Council so that their work is co-ordinated within the Council's overall risk management framework.

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8. Overview of the risk management framework and process

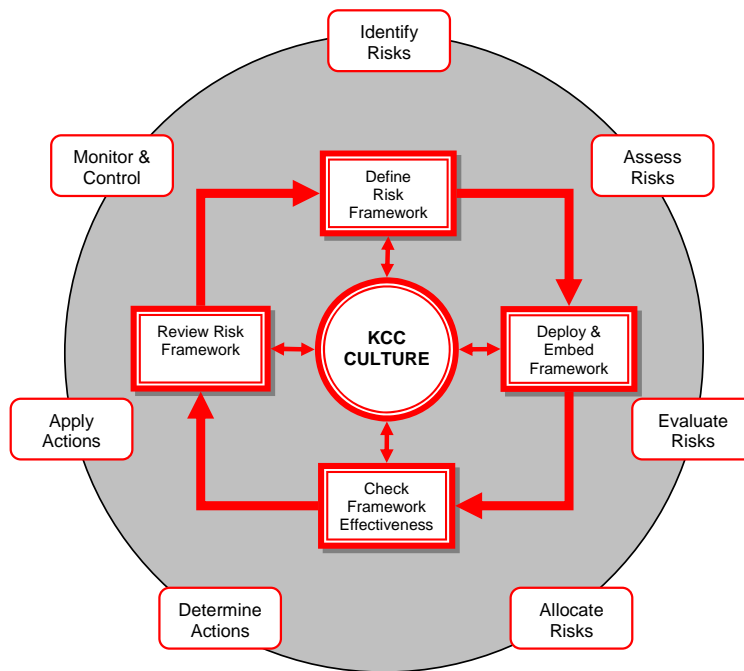
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- 8.1. Our risk management framework will align with OGC's recognised best practice guidance - *Management of Risk: Guidance for Practitioners*, as expressed in diagram 1 below: The framework is an iterative process to enable continuous improvement.

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Diagram 1 – The Risk Management Framework



8.2. The risk management framework is summarised below and practical detail for managers is set out in the [risk management guidance](#) and support resources on KNet.

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8.3. **Risk Management Framework** - The four core elements of the framework development, highlight the need for its risk management approach and practices to be informed by, and aligned with, its values and culture. They form the basis of the Council's Risk Management Policy:

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- **Define risk framework** – The Head of Business Intelligence, determines and recommends policy and practical guidance for the management of the Council's risks in line with its culture and values. Supported by Cabinet Members and Corporate Directors, it will set out the standards and practices that must be used across the Council and will define the activities and practices for assessing and managing risk.
- **Deploy & embed framework** – Senior management will assign resources to implement risk management throughout the council. This will entail the promotion and communication of the policy supported by the delivery of training in the principles and practices of risk management to Members and appropriate officers.
- **Check framework effectiveness** – The Corporate Management Team will ensure that the council's arrangements for managing risk are regularly reviewed and will report on this to Cabinet Members. The Governance and Audit Committee shall regularly commission its internal auditors to undertake a formal review of the Council's risk management arrangements. The outcomes of the internal review will be presented to the Governance and Audit Committee and be used to inform its review of the policy and framework.

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- **Review risk framework** – All information collated on the effectiveness of the Council’s risk management arrangements will be interpreted and used alongside lessons learned to review and strengthen the policy and to provide greater capability and capacity for managing the Council’s risks. This in turn will provide greater assurance to stakeholders.

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8.4 **Risk Management Approach** – Illustrated above, surrounding the four concepts of the risk management framework, are the defined process and practices for assessing and managing risk. Practical details are outlined within the management guidance and support resources for managers on KNet:

- **Identify Risk** – Concerns our methodology for establishing an activity’s exposure to risks and how they are to be recorded for each of the five risk perspectives.
- **Assess Risk** – A process through which risks are analysed according to potential likelihood and impact.
- **Evaluate Risk** – The evaluation of risks against parameters (risk appetite and tolerance) which provides assurance of a consistent approach to the measurement of risk and appropriate management and escalation.
- **Allocate Risk** – Ensuring that identified risks are suitably allocated to stakeholders who are best placed to take ownership of the risk and who have the required level of authority to effectively manage them.
- **Determine Actions** – A logical approach to determining appropriate, proportionate and viable solutions to eliminating, reducing or controlling threats and enhancing opportunities in line with risk appetite.
- **Apply Actions** – Our approach for the agreement and deployment of selected actions.
- **Monitor & Control** – Methodology for reviewing risks against factors that could affect their profiles and for exercising control over risk to reduce and maintain them to tolerable levels.

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9. Risk Appetite, Tolerance & Escalation

Principle e) in Section 5 makes reference to Risk Appetite – our willingness to tolerate a particular level of exposure to specific risks or risk groups. Understanding risk appetite is a vital aspect in supporting effective risk management. It follows that this appetite reflects the Council’s capacity to bear risk and will vary by risk type and perspective.

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Our appetite for risk is implicitly defined within our standard for determining risk levels (below). Risks rated as “High” will be deemed to have exceeded tolerance levels and will be subject to escalation to the next management level for review and action. The target residual rating for a risk is expected to be ‘medium’ or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.

KCC's Standard for determining risk levels

Likelihood	Very likely	5	5 Low	10 Medium	15 Medium	20 High	25 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High	20 High
	Possible	3	3 Low	6 Low	9 Medium	12 Medium	15 Medium
	Unlikely	2	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Very Unlikely	1	1 Low	2 Low	3 Low	4 Low	5 Low
RISK RATING MATRIX			1	2	3	4	5
			Minor	Moderate	Significant	Serious	Major
			Impact				

10. Training on risk management

10.1. The Corporate Risk Team will develop and deliver appropriate training to support the implementation of this policy for Members and Officers. Officer training will be linked to the *Kent Manager* standard and approved by the Corporate Management Team to ensure that the requirements of the various staff groups within the Council are met. Supplementary training will also be delivered to directorates and business units if requested and where capacity allows.

10.2. Attendance at training sessions will be monitored to ensure that risk management capability is consistently embedded across all areas of the Council. Training will also be evaluated by attendees to facilitate continual improvement.

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11. Review of this policy

11.1. It is the responsibility of the Governance and Audit Committee to: *'On behalf of the Council ensure that Risk Management and Internal Control systems are in place that are adequate for purpose, and are effectively and efficiently operated.'* Internal Audit will support their role in assuring its effectiveness and adequacy.

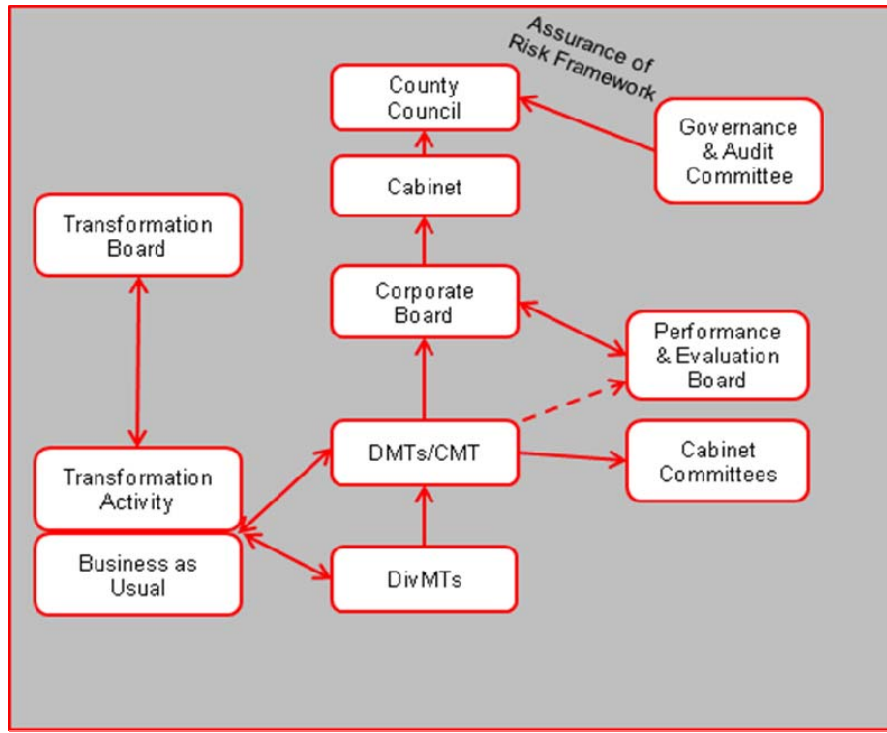
11.2. Information from Internal Audit and from other sources will be used to inform recommended changes to the policy and framework at least annually. Any changes will be presented to the Governance and Audit Committee for approval before publication.

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Appendix 1

Risk Management Governance Structure



Risk Management Roles and Responsibilities

Appendix 2

Group or Individual	Responsibilities
County Council	Ensure that an effective system of risk management is in place.
Governance & Audit Committee	On behalf of the Council ensure that risk management and internal control systems are in place that are adequate for purpose, and are effectively and efficiently operated.
Cabinet	Responsibility for the operation of the risk management system, including the establishment of the Council's risk appetite.
Cabinet Member for Business Strategy, <u>Audit & Transformation</u>	On behalf of Cabinet ensure effective risk management arrangements are put in place
Cabinet Portfolio Holders	Responsibility for the effective management of risk within their portfolio areas and ensuring that they consider risks in all decisions they make
Cabinet Committees	To provide scrutiny pre-decision to ensure that due consideration is given to associated risks.
Section 151 Officer	Active involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered.
Corporate Management Team (CMT)	To ensure the Council manages risks effectively through the Risk Management Policy and actively consider, own and manage key strategic risks affecting the Council through the Corporate Risk Register. Keep the Council's risk management framework under regular review and approve and monitor delivery of the annual risk work programme
Performance & Evaluation Board	<u>Investigate strategic risks where monitoring indicates that progress against mitigating actions is not sufficient.</u>
<u>Portfolio / Programme / Project Boards</u>	To ensure that <u>portfolio</u> , programme and project risks are effectively identified and managed and that any impacts on the business that may follow implementation are reported and managed.
Corporate <u>Portfolio</u> Office	To develop and ensure implementation of <u>portfolio</u> , programme and project governance, controls and risk management arrangements to successfully deliver outputs and secure desired outcomes and benefits.
Directorate Management Teams (DMT)	Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Corporate Management Team as appropriate.
Divisional Management Teams (DivMT)	Responsibility for the effective management of risk within divisions, including risk escalation, and reporting to DMT as appropriate.
Corporate Director Business Strategy & Support (Head of Paid Service)	Responsibility for the overall monitoring of strategic risks across the Council, including the endorsement of priorities and management action. Responsible for ensuring that risk management resources are appropriate.
Head of Business Intelligence	Establish the organisational context and objectives for risk management and map the external and internal risk environment. Develop and maintain the risk management policy, strategy, management guidance and support resources.
Corporate Risk Manager	Promote a positive risk management culture within KCC, developing and implementing the risk management framework and strategic approach and continuing to develop and embed an

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Deleted: On behalf of the Executive monitor the Corporate Risk Register to ensure that actions are being implemented to mitigate risk within the Council's risk appetite and report on exceptions and key changes to risk impact or immediacy.¶ Obtain assurance from those responsible for the delivery of the council's priorities and major change programmes that the associated risks are effectively identified and managed and report by exception.

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	<p>effective infrastructure for managing and reporting risk. Facilitate maintenance of an up to date Corporate Risk Register and provide reports on corporate risk to Cabinet members and the Corporate Management Team.</p> <p>Facilitate the risk management process within the Council and advise on developments on risk management. Assist key individuals with implementing and embedding risk within key Council areas and provide guidance, training and support as required.</p>
Corporate Risk Team	Day to day responsibility for developing and co-ordinating risk management across the Council and providing advice, support and training, and contributing to ongoing regular reporting on risk management
Internal Audit	Assesses the effectiveness of the risk management framework and the control environment in mitigating risk
Directors and Kent Managers	Ensure that effective risk management arrangements are in place in their areas of responsibility to minimise the Council's exposure to risk and uncertainty.
All staff members	<p><u>Identify risks and contribute to their management as appropriate.</u></p> <p>Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents <u>to management.</u></p>

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