Risk management toolkit

Appendix 1

Risk Management Policy & Strategy 2020-23

POLICY OWNER:

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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.

1   Introduction

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, achieve better value for money and demonstrate compliance with the Local Audit & Accounts regulations.

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

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;

- there is a commitment to embedding risk management throughout the organisation, making it a part of everyday service delivery and decision making; and

- the framework for managing risk continues to remain appropriate.

3   Applicability

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 and monitored through procurement processes and contract management arrangements.

4 Risk Strategy

4.1 The rising cost of providing services due to Additional demographic, legislative and market spending demands and pressures, allied with and ongoing public sectorlocal government funding restraint means that KCC, like all local authorities, continues to face serious financial and operational challenges. This will mean that KCC is exposed to significant and increasing levels of risk in its operating environment, with less resource to manage those risks. Therefore, the Authority is likely to be required to accept or tolerate greater levels of risk in conducting its business as it seeks to innovate and transform in order to protect the quality of services for service users and residents of Kent. This includes increased utilisation of productivity tools, digitalisation and automation where appropriate.venturing into more commercial approaches and income generating activities.

4.2 The risk management framework is an integral element of KCC's governance and internal control arrangementsThe Council's move towards a Strategic Commissioning Authority requires reviewing of the Council's governance arrangements, including the risk management framework, and whichmust will evolve as the Authority evolves. This includesrequires a greater focus on all elements of the risk framework – our culture, behaviours and values as well as processes and procedures.

4.3 Objectives of risk management – in support of the Council's governance and internal control arrangements, move towards a strategic commissioning authority and achievement of KCC's desired outcomes, the Council aims to:

- manage risks in line with its risk appetite, and thereby enable it to achieve its objectives more effectively;

- 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, anticipating and responding proactively to social, environmental and legislative changes and directives that may impact on delivery of our objectives;

- eliminate or reduce negative impacts, disruption and loss from current and emerging events;

- harness risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes;

- ensure effective intelligence sharing and collaboration between risk management disciplines across all Council activities;

- ensure fraud risks are proactively considered and embedded into the organisation's risk management arrangements

- benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge; demonstrate a consistent approach to the management of risks when embarking on significant change activity; and

- ensure sound and transparent risk management arrangements are operated in partnership and commissioner / provider situations, underpinned by a culture that supports collaboration and the development of trust ensuring clear effective lines of communication and the management of relationships.

4.4   KCC shall achieve these aims by:

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

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

- using 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;

- exploring structured approaches to the management of opportunities identified, in order to enhance the likelihood of their achievement.

- embedding risk management into the *Kent Manager* standard and wider Leadership & Management Strategy;

- highlighting and promoting our attitude and approach to risk within KCC's aims and values

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

- 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 Council's change activity;

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

- 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;

- working collaboratively with partners and providers (both internal and external) to develop effective risk and control ownership and risk sharing arrangements; striking a proportionate balance of oversight of risks of providers / partners without being over-constrictive.

4.5   The Corporate Risk Manager shall maintain a programme that sets out the delivery of this policy and strategy, with delivery being assured by the Corporate Management Team.

5   Principles of risk management

5.1   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.

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 inform both the substance for the decision or plans and achievability of desired outcomes objectively. In addition, 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.

6 Context of risk management

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, and are developing our strategic commissioning approach as an Authority. 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.

- **Operational / Service / Contract** – where we are exposed to risks that could affect our control and ability to successfully and continually deliver / commission services for to our customers.

Delivery Model
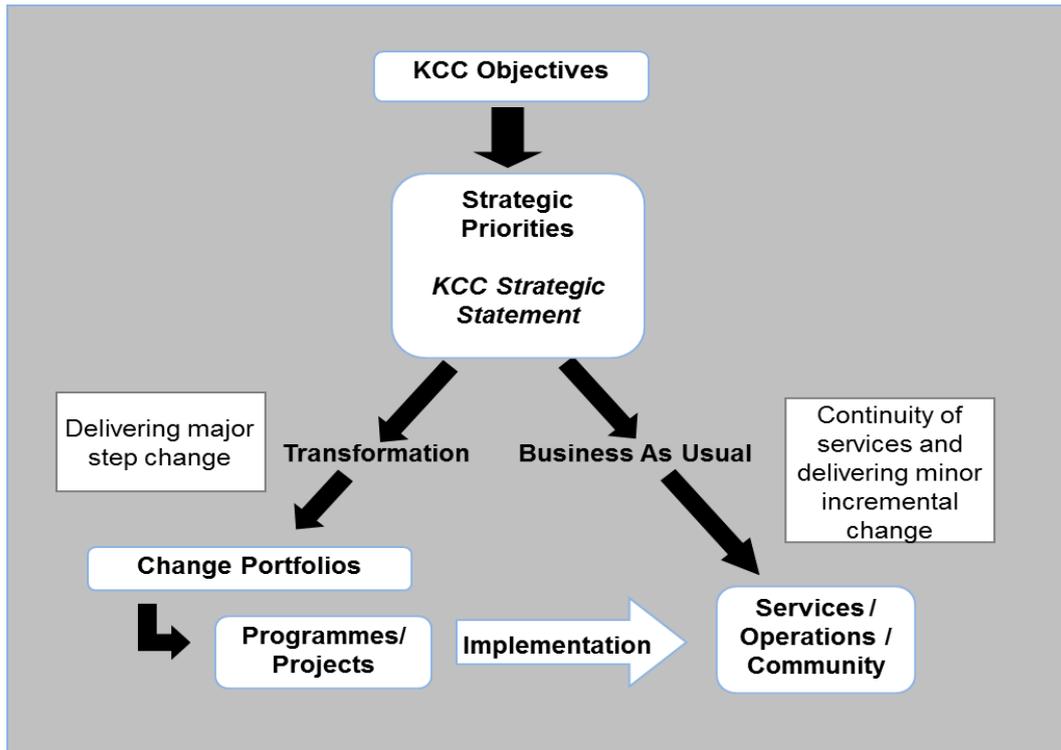
6.4 These five perspectives are inherent at different levels across the organisation. They have clear interdependencies for effective management of risk and provide a logical structure of risk registers that inform each other and allow risks to be communicated and if necessary escalated up and down and 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
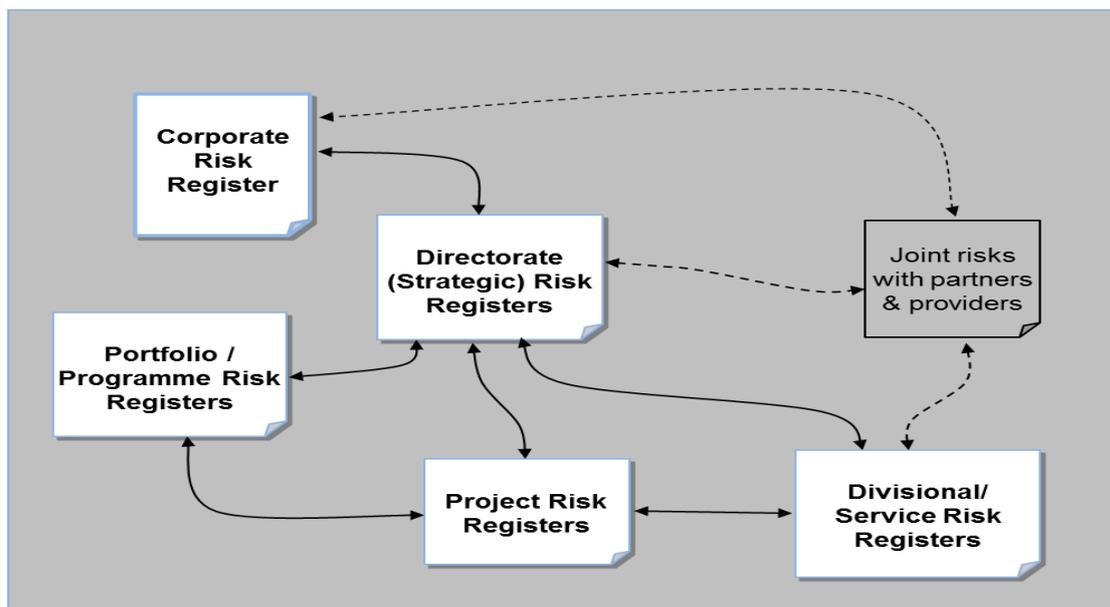
7 Governance of risk management

7.1   Responsibility for risk management runs throughout the Council; everyone has a role to play. Staff and managers that are accountable for achieving an objective are accountable for managing the risks to achieving it. 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 Annex A and the roles and responsibilities are set out in Annex B.

7.2   Other officer groups deal with related risk specialisms such as Health and Safety; Treasury Management; Emergency Resilience and Business Continuity; Insurance; Information Security and Governance; CounterAnti-fraud and corruption 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.

8 Overview of the risk management framework and process

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.

Diagram 1 – The Risk Management Framework
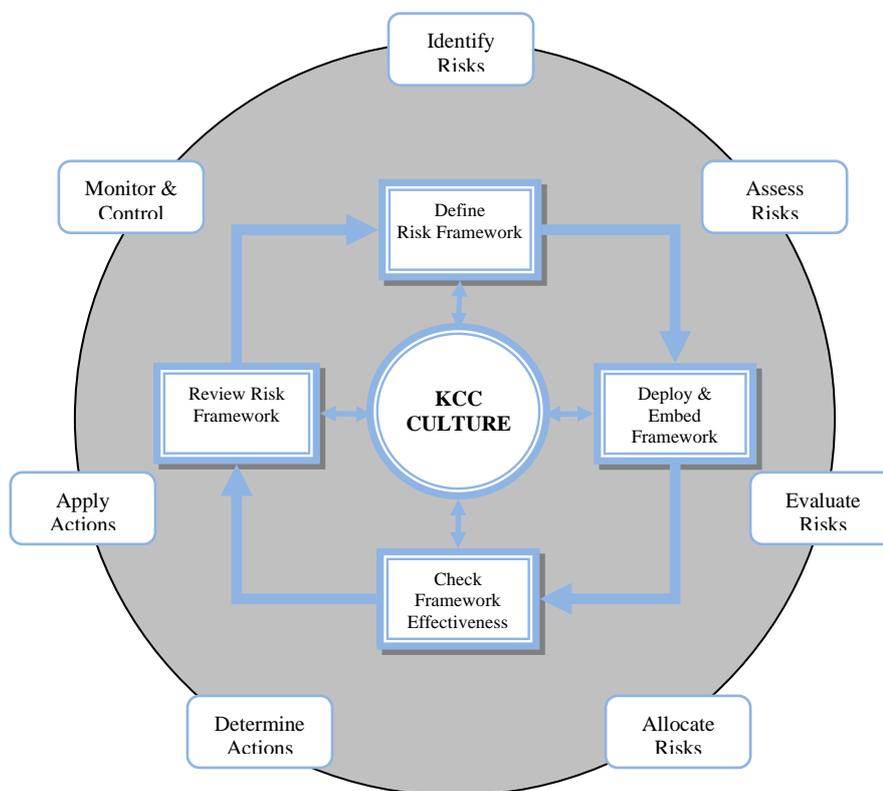
8.2   The risk management framework is summarised below and practical detail for managers is set out in the risk management guidance and support resources on KNet.

8.3   **Risk Management Framework** - The four core elements of the framework highlight the need for KCC's 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:

- **Define risk framework** – The Director of Strategy, Policy, Relationships and Corporate Assurance 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.

- **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.

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 manage them effectively.

- **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.

9 Risk Appetite, Tolerance & Escalation

9.1   Kent County Council recognises that risk is inherent in delivering and commissioning services and does not seek to avoid all risk, but instead aims to have an 'open' approach to risk, appropriately balancing risk against reward, with risks managed in a proportionate manner.

9.2   As local authorities face increasing spending demands and funding restraint~~continued reductions in Government funding in the coming years~~, the Authority's environment will, by default, contain greater risk, and therefore it is likely that KCC will need to accept higher levels of risk in order to meet its desired outcomes. This will require an approach that allows flexibility and support for well-informed and considered risk taking, promoting transparency and effective risk management, while maintaining accountability. While risks defined as 'high' are to be managed down to a tolerable level wherever possible, it is important that risks across the Authority are not over-controlled.

9.3   It is not realistic for the County Council, with its diverse range of services and duties, to have just one definitive application of risk appetite across the entire organisation. Instead, risk appetite should be set with reference to the strategy for service delivery in each particular area. However, examples of risks that would be seen as intolerable are those that are likely to:

- Negatively affect the safety of our service users, residents or employees;

- Severely damage the Authority's reputation;

- Lead to breaches of laws and regulations;

- Endanger the future operations of the County Council (i.e. by exceeding the risk capacity of the organisation – the amount of risk that the Authority can bear).

9.4   In addition, to aid managers in understanding what risks are acceptable, 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 wider Leadership & Management Strategy 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.

11 Risk Reporting

11.1   Risks should be reviewed every three months as a minimum, with a more formal review and refresh of significant risks annually. The frequency will be dependent on the circumstances and environment around the risks. Within a rapidly changing environment monthly monitoring and three monthly reviews may be more appropriate. Risks rated as 'high' should be subject to more detailed and frequent monitoring.

11.2   The Corporate Risk Register is to be presented to Cabinet annually after its more formal annual refresh.   It is also to be reported to the Governance & Audit Committee six-monthly for assurance purposes. Strategic risks facing the County Council are to be reported to Cabinet Committees annually, alongside the business planning process. The Risk
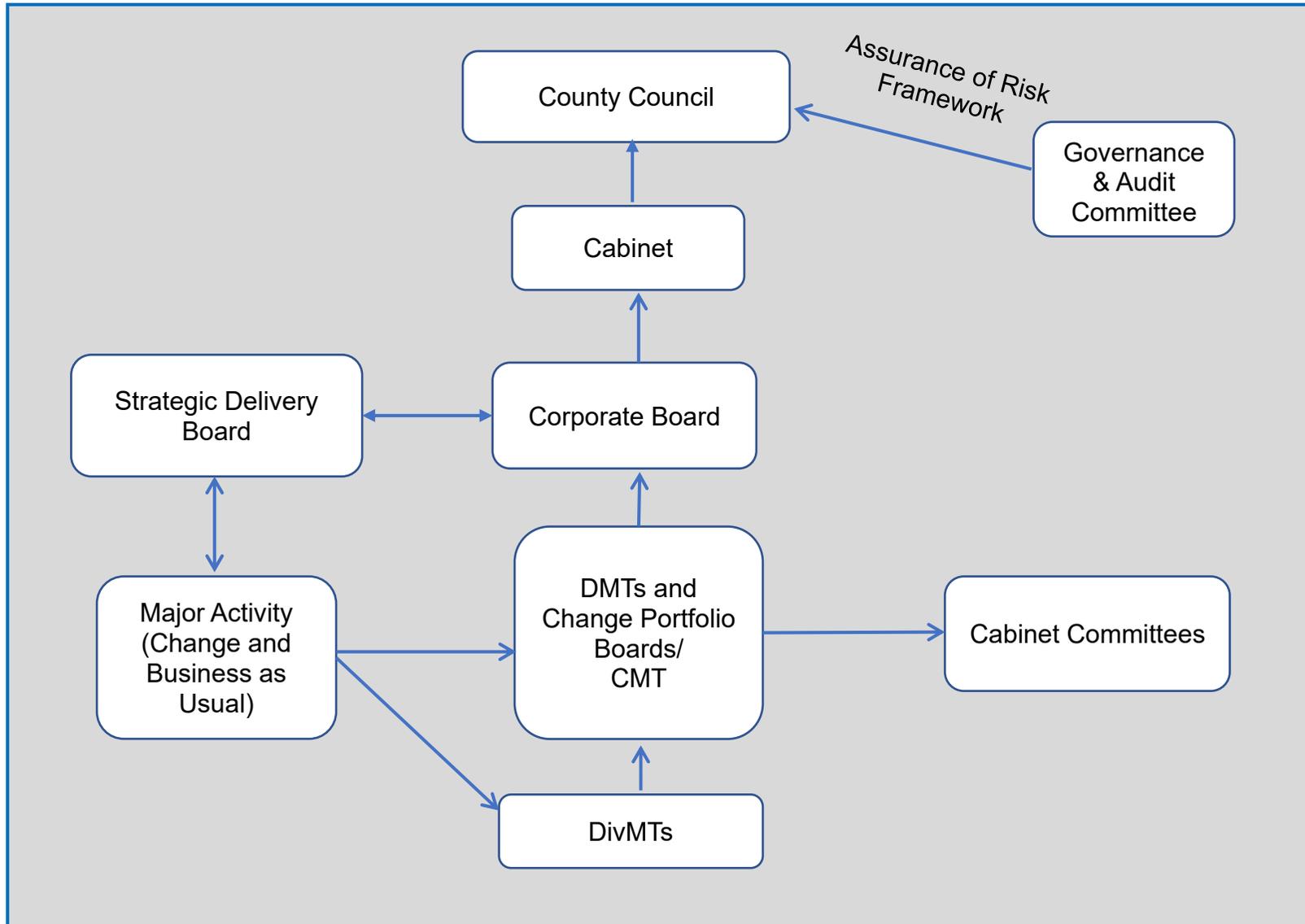
Strategy and corporate risks are also to be reported to County Council as part of the Medium Term Financial Plan.

12 Review of this policy

12.1   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.

12.2   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.

Risk Management Governance Structure

Risk Management Roles and Responsibilities

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. 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, ensuring appropriate reporting and escalation as required.
~~Cabinet Member for Customers, Communications and Performance~~Leader	As portfolio holder for Corporate Risk, ~~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 (Chief Finance 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. 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, ensuring appropriate reporting and escalation as required.
~~Service and Infrastructure Commissioning Boards~~Strategic Delivery Board	~~Consider significant forthcoming activity and provide advice to decision-makers of risks and how they compare against benefits and cost.~~ Oversees and advises on proposals relating to key council initiatives, considering how well they align with strategic objectives and how benefits compare against cost and risk.
~~Budget Delivery~~	~~Focus on activity that has significant contract management,~~

Group	budget or delivery risks, providing support and constructive challenge.
Change Portfolio / Programme / Project Boards	To ensure that portfolio, 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 Assurance function	Develop oversight, transparency and coordination of major change activity across Kent County Council, including reinforcing KCC's risk management framework throughout project and programme activity.
Portfolio Delivery Managers / Portfolio Management Officers	Establish and monitor that clear, effective and proportionate governance is in place for all projects and programmes within change portfolios, including risk management. Ensure that key risks and interdependencies within change portfolios are identified and escalated as appropriate.
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 Strategic & Corporate Services (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.
Director, Strategy, Policy, Relationships and Corporate Assurance	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 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. 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.
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 Managers	Ensure that effective risk management arrangements are in place in their areas of responsibility to ensure the Council's exposure is at an acceptable level.

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, ensuring appropriate reporting and escalation as required. |
| All elected Members and staff members | Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management. |